



**Resilience,
solidarity,
loyalty**

Contents

Annual Report 2020



About the cover picture:

Cooperativa de Ahorro y Crédito Cooprogreso Ltda (Cooprogreso)

Carmiña López is a client of Oikocredit's partner Cooprogreso and has a family business (Rac Moda), which makes clothes. Originally from Colombia, she came to Ecuador 33 years ago to work in the garment industry with her husband. In 2012 the couple started its own business, which they built up using loans from Cooprogreso. Today they employ 20 people and work with another 10 suppliers who produce garments for them. During the Covid-19 pandemic they were not always able to provide work to the suppliers. Carmiña used her most recent loan from Cooprogreso to produce face masks.

Cooprogreso serves microentrepreneurs in urban and rural areas through a methodology of individual and village banking, and also offers financial products to meet the demands of salaried employees. The cooperative was founded in 1969 and first partnered with Oikocredit in 2015.

| | |
|--|----|
| From the Managing Director | 3 |
| Five-year Oikocredit key figures | 4 |
| Managing Board report | 5 |
| Supervisory Board report | 19 |
| Consolidated financial statements | 23 |
| Notes to the consolidated financial statements | 29 |
| Society financial statements | 71 |
| Notes to the Society financial statements | 75 |
| Auditor's report | 84 |
| Contact information | 88 |
| Strategic partners and relevant networks | 90 |

From the Managing Director



In 2020 the coronavirus pandemic confronted humanity with an entirely unforeseen crisis of global dimensions, causing widespread suffering and disrupting the livelihoods of millions. In addition to Covid-19's massive impact on human health and the tragic loss of life, the pandemic has reversed recent gains in reducing global poverty and inequality, especially for women and girls.¹

At Oikocredit we are proud of the way our partner organisations have coped with Covid-19 and of the solidarity we have provided. We offered support from the beginning, such as by providing training, rescheduling partners' loans and giving direct grants from our solidarity fund. We continue to be there for our partners, many of whom work closely with low-income people in some of the poorest communities in Africa, Asia, and Latin America and the Caribbean.

The past year has been particularly challenging for many of the low-income people that our partners serve. For some, like Carmiña Lopez who you can see on the cover page, it has also provided new opportunities. She used her most recent loan from Oikocredit partner Cooperativa de Ahorro y Crédito Cooprogreso Ltda (Cooprogreso) to produce face masks.

We understand that 2020 has been hard for our members and investors too, and we cannot thank them enough for their long-term commitment to our work. Their loyalty has been a key inspiration and has bolstered our resilience.

The safety and well-being of Oikocredit staff have also been key priorities. Our internal restructuring in 2019 has helped us embrace remote and online working without sacrificing effectiveness.

This unprecedented year has also brought several useful lessons for Oikocredit and cleaned the lens through which we look at the world. We are determined to come through the crisis stronger and better in support of the sustainable empowerment of low-income people.

As I have announced that I will be leaving Oikocredit later this year, I would like to express that working for the cooperative has been an enormous privilege. The commitment of Oikocredit's staff, members, partners and investors has been a vast source of inspiration. I look forward to seeing Oikocredit continue its work to empower low-income people well into the future.

The year to come will continue to be challenging for Oikocredit, our partners, the people our partners serve, impact investors and most of humankind. Amid signs of recovery in many countries, we have cautiously resumed the financing and refinancing of new and existing partners. We are now jointly exploring with stakeholders our long-term vision, theory of change and strategic choices to prepare a new purpose-driven multi-year strategy for launch in 2022.

As always, we owe a debt of gratitude to our cooperative members, investors, partners, volunteers, staff, Members' Council and Supervisory Board for the invaluable commitment that enables Oikocredit to pursue its mission. Please rest assured that, more than 45 years after our cooperative came into being, we will continue to go where we are needed, our work now more important than ever.

Thos Gieskes
Managing Director

¹ UN Women 2020, [Press release: COVID-19 will widen poverty gap between women and men, new UN Women and UNDP data shows](#)

Five-year Oikocredit key figures

| <i>Figures from the consolidated financial statements as at 31 December</i> | | | | | | |
|---|---------|---------|---------|---------|---------|-------------------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | Reference |
| Members | 552 | 555 | 558 | 567 | 575 | |
| Investors (approximate number) | 58,400 | 59,000 | 57,000 | 56,000 | 54,000 | |
| Countries with regional and country offices ¹ | 14 | 15 | 21 | 31 | 31 | |
| National support offices and support associations | 26 | 28 | 32 | 35 | 36 | |
| Staff members in full-time equivalents (FTE) ² | 192 | 201 | 235 | 290 | 269 | Note 28 |
| Partners in portfolio ³ | 563 | 674 | 684 | 747 | 801 | |
| € millions | | | | | | |
| Total consolidated assets | 1,241.7 | 1,310.4 | 1,292.9 | 1,220.0 | 1,209.3 | Consolidated balance sheet |
| Member capital | 1,104.1 | 1,129.8 | 1,082.5 | 1,012.4 | 913.0 | Consolidated balance sheet |
| Other funding ⁴ | 109.3 | 141.4 | 146.4 | 140.5 | 105.5 | Consolidated balance sheet |
| Total funds available for investing | 1,213.4 | 1,271.2 | 1,228.9 | 1,152.9 | 1,018.5 | |
| Development financing activities | | | | | | |
| New disbursements | 243.5 | 404.5 | 444.5 | 380.2 | 438.7 | Note 8 |
| De/increase in disbursements (%) | -39.8% | -9.0% | 16.9% | -13.3% | 4.7% | |
| Cumulative disbursements | 4,443.1 | 4,199.6 | 3,795.1 | 3,350.6 | 2,970.4 | |
| Total cumulative payments (capital, interest and dividends) by partners ⁵ | 4,168.7 | 3,728.7 | 3,289.4 | 2,839.9 | 2,422.1 | |
| Total development financing outstanding | 845.1 | 1,064.6 | 1,046.6 | 981.7 | 1,047.2 | Note 8 |
| As % of total funds available for investing at 1 January | 66.5% | 86.6% | 90.8% | 96.4% | 116.4% | |
| Portfolio at risk 90 days ⁶ | 5.8% | 5.4% | 4.0% | 4.6% | 4.5% | |
| Loan loss provisions on capital and interest and impairment of equity ⁷ | 109.9 | 97.3 | 80.3 | 74.0 | 81.7 | Notes 8 and 12 |
| Loan loss provisions on capital and interest and impairment of equity as % of development financing outstanding | 13.0% | 9.1% | 7.7% | 7.5% | 7.8% | |
| Write-offs of capital charged to loan loss provisions | 12.9 | 5.7 | 5.3 | 4.6 | 11.4 | Note 8 |
| As % of development financing outstanding loan portfolio | 1.9% | 0.6% | 0.6% | 0.5% | 1.2% | |
| Term investments | 182.8 | 139.8 | 144.2 | 149.9 | 112.8 | Consolidated balance sheet |
| Total financial income ⁸ | 78.6 | 98.1 | 87.2 | 90.1 | 101.9 | Consolidated income statement |
| General and administrative expenses ⁹ | 29.1 | 31.5 | 37.1 | 37.6 | 34.0 | Consolidated income statement |
| As % of total assets | 2.3% | 2.4% | 2.9% | 3.1% | 2.8% | |
| General and administrative expenses excluding grant-based expenses ¹⁰ | 28.4 | 30.7 | 36.0 | 36.6 | 33.5 | |
| As % of total assets | 2.3% | 2.3% | 2.8% | 3.0% | 2.8% | |
| Impairments and additions to loss provisions | 33.0 | 23.1 | 15.0 | 7.1 | 26.9 | Consolidated income statement |
| As % of development financing outstanding | 3.9% | 2.2% | 1.4% | 0.9% | 2.6% | |
| Net income available for distribution ¹¹ | (22.2) | 14.3 | 1.3 | 18.4 | 29.0 | Society income statement |
| Paid dividend | TBD | 0 | 10.6 | 9.6 | 17.1 | Other information |

¹ Countries with legal entities that no longer carry out operational activities are not included in this number.

² Including staff employed by regional offices and national support offices.

³ Partners in portfolio includes development financing outstanding as well as partners currently in the process of disbursement, and excludes partner funding that has been repaid, written off or cancelled.

A partner is an organisation to which Oikocredit is extending a loan or in which Oikocredit has an equity investment.

⁴ Other funding is general reserves (2020: € 95.8 million) and non-current liabilities (2020: € 13.6 million) excluding hedge contracts and other liabilities (2020: € 114,000).

⁵ Total cumulative payments by partners comprise payments of capital, interest and dividends.

⁶ The portfolio at risk 90 days is excluding the payment holiday partners. We refer to chapter 5 Risk management paragraph for additional information.

⁷ Loan loss provision and impairments on capital (2020: € 106.5 million) and loan loss provision on interest (2020: € 3.5 million).

⁸ Consists of interest on development financing portfolio (2020: € 77.1 million), interest on term investments (2020: € 2.4 million) and income from equity investments (2020: negative € 0.9 million).

⁹ Including expenses covered by grants (for example capacity building expenses).

¹⁰ Excluding expenses covered by grants (for example capacity building expenses).

¹¹ Refer to Society financial statements.

A photograph of an elderly man with a joyful expression, wearing a red raincoat and a dark scarf, harvesting tea leaves in a lush green field. The background shows rolling hills and a clear sky.

Karongi Tea Factory, Rwanda

Rawbeni Rubyogo is one of the local tea farmers at Katecogro cooperative, which supplies Oikocredit partner Karongi Tea Factory with tea leaves. The factory has provided various jobs to over 2,000 people in the area and offers medical insurance and trainings on tea farming. The tea factory has also contributed to the electrification of the area and has helped improve infrastructure.

Managing Board report

We are pleased to present the annual report and consolidated financial statements of Oikocredit, Ecumenical Development Cooperative Society U.A. (the Society) for 2020. This report highlights the most important developments during the year.

Resilience, solidarity, loyalty

2020 was entirely unlike the year Oikocredit² had planned. Along with so many people, communities and organisations worldwide, the coronavirus pandemic affected us in completely unforeseen ways. Yet, despite the unprecedented nature of the crisis and its consequences, there were also several positive aspects to the year for us.

Although 2020 was a year of unique challenges, key mitigating factors included the loyalty of our members and investors,³ our closeness to our partners and the resilience of our staff and partners. Our proactive attitude towards managing our financial risks, liquidity and capital position enabled us to provide extra financial support for partners while guarding our capital base. We benefited from having sharpened our focus and reduced our organisational complexity in 2019, which helped us respond with more agility. Nevertheless, Oikocredit's income was affected as a result of the pandemic, and rather than the profit we anticipated at the start of 2020, we made a loss for the year.

In 2020 we worked with and supported 563 partner organisations across 63 countries in Africa, Asia, and Latin America and the Caribbean (2019: 674 partners in 65 countries). The investments of around 58,400 individuals and organisations, who want to be part of a global movement for social change, once again underpinned our work in three key sectors: financial inclusion, agriculture and renewable energy. Although we made rapid adjustments to our plans in the face of Covid-19, our operating model remained that of providing loans, equity investments and capacity building to support enterprises that deliver social benefits and promote the empowerment of low-income people in a sustainable way. With additional financial and other help, the vast majority of our partners have been able to cope with the impact of the pandemic.

Responding to Covid-19

Early in 2020, as the extent of the coronavirus's impacts became evident, we swiftly focused our response in four main areas. First, we kept our members and investors (the latter via our support associations and the Oikocredit International Share Foundation – OISF) informed about how the pandemic was affecting our work and our partners, and provided narrative updates on our quarterly financial results. Our updates described the steps we were taking to maintain continuity, safeguard our mission and support partners in such unprecedented circumstances. Second, we increased our communications with partners, contacting them with weekly or fortnightly calls, working hard to understand their situation and giving carefully tailored assistance, including through

online meetings and via the Oikocredit International Support Foundation's (ISUP) coronavirus solidarity fund. Third, we attended to the well-being of our staff and ensured they could continue working from home under the difficult circumstances of lockdown and caring for loved ones. And fourth but far from last, we secured Oikocredit's finances so that we could continue to function effectively.

Organising around these four priorities enabled us to achieve a degree of stability by mid-year, when we began to look forward to potential medium-term developments for our investors and partners. Throughout the year we communicated clearly to our stakeholders that we would not meet our original targets, which would be reflected in our financial performance for the year. Overall, we made a financial loss in 2020 and this, among other factors, affected the net asset value of our shares.

The macroeconomic environment was dominated during the year by the pandemic and by government action around the world and the social and economic consequences. The euro and United States dollar economies in the Global North, which benefited from governments' ability to inject large sums of capital to address the crisis, suffered less and could recover faster and with more certainty than the economies of the countries where we work. This led to strengthening of the euro and the dollar against other currencies and coincided with a reversal of recent years' gains in reducing global poverty, increasing shared prosperity and closing inequality gaps between and within countries.⁴

In several countries the central banks allowed for, or required, the rescheduling of repayments in the microcredit and related sectors.⁵ We at Oikocredit proactively agreed delayed loan repayments with many of our partners to give them breathing space, especially where clients were suffering from loss of income. Early in the crisis we also decided not to approve loans for new partners and to be more prudent in extending financing to current partners. This inevitably reduced the size of our development financing portfolio and contributed to an enhanced position in liquid assets, as our investors stayed loyal to us during the pandemic. In September 2020 we cautiously recommenced loan approvals for new partners. By year-end most partners had found a way to resume business. Portfolio quality improved after declining earlier in the year, with fewer requests for loan rescheduling and many partners getting back on track with their repayments. Crucially, our members and investors maintained an inflow of new funds, albeit markedly lower than in previous years.

Preparing our 2022-2026 strategy

Oikocredit's current strategy, which has included sharpening our focus, reducing complexity, and continuous improvement,

² When referring to Oikocredit in the Managing Board report and Supervisory Board report we refer to Oikocredit, Ecumenical Development Cooperative Society U.A. (the Society)

³ When referring to investors in this document, we refer to individuals and organisations who invest in Oikocredit via one of the Oikocredit support associations or the Oikocredit International Share Foundation (OISF)

⁴ World Bank 2020, [COVID-19 to Add as Many as 150 Million Extreme Poor by 2021](#); and IMF 2020, [Conquering the Great Divide: The pandemic has laid bare deep divisions, but it's not too late to change course](#)

⁵ CGAP 2020, [Microfinance & COVID-19: Examples of Regulatory Responses Affecting Microfinance Providers](#)

runs until 2022. The Covid-19 crisis has impacted the world in unforeseen ways and accelerated the pace of change. In mid-2020 we therefore began to look ahead to where we will be in a post-pandemic future and how we can be most effective. Oikocredit's model is distinct and valuable. So we need to ensure our work remains fully relevant and that we continue to achieve our purpose in the face of global and market trends, including changes brought on or accelerated by the coronavirus, such as increases in extreme poverty and gender inequality among low-income people,⁶ as well as technological developments and virtual ways of collaborating.

During 2020, using an approach combining communication, consultation and co-creation, we gathered input from staff, members, investors and partners to investigate Oikocredit's purpose and how this may need renewal. The strategic process has been reflective and collaborative, using surveys, interviews and online workshops to explore our long-term vision, purpose, theory of change and strategic choices. Consultations have been online instead of the anticipated in-person meetings, but this has made the process more inclusive geographically.

Financial results

Oikocredit made a net loss in 2020 of € 22.2 million compared with 2019's net positive result of € 14.3 million. This outcome was in line with our expectations and earlier communications towards members. It reflects the decision to protect our capital and maintain high levels of liquidity in response to Covid-19 and the ensuing financial uncertainty. At year-end we held 33.1% of our assets in cash or term investments (bonds), up from 19.6% in 2019. This helped secure our position but has been expensive, since funds held as liquid assets earn less than when deployed with partners. Strong liquidity is, however, a prudent response to a financial crisis and has provided us with a buffer in case of redemption requests.

For risk management reasons, we tempered the growth in our development financing portfolio of loans and investments. This led to a reduced portfolio of € 845.1 million by year-end, down by 20.6% from 2019. Total consolidated assets declined by 5.2% to € 1,241.7 million. These outcomes were a consequence both of our decision to prioritise long-term stability over short-term profitability and of the demand for financing declining too due to lower economic activity experienced by our partners.

A key contributor to the reduction in total assets, besides shrinkage of the portfolio, was the devaluation against the euro of the United States dollar and local currencies. We make almost half of our loans and investments in local currencies, such as the Indian rupee. The weakened dollar undermined the value of our lending and investments in dollars and dollar-linked local currencies, notably in Latin America and the Caribbean. These currency movements reduced the value of our development financing portfolio as well as our income in euro.

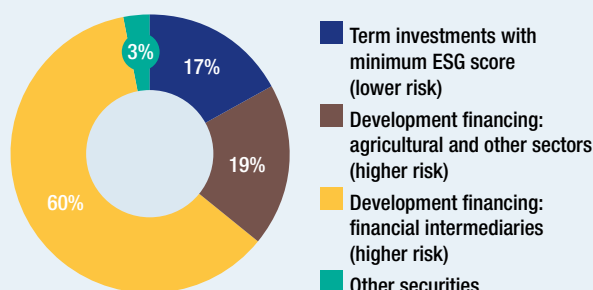
A continuing factor was the prevailing low interest rate environment. This has affected earnings from our loans for some years and also impacted the yield on term investments.

⁶ UN Women 2020, [Press release: COVID-19 will widen poverty gap between women and men, new UN Women and UNDP data shows](#)

2020 in graphs

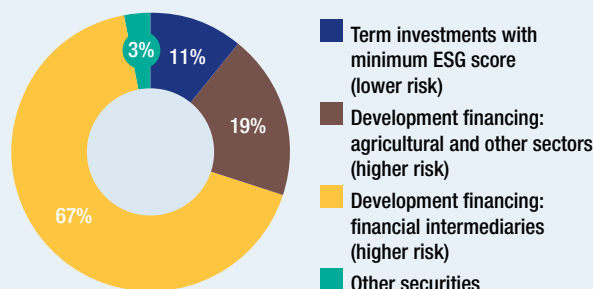
Investment mix Oikocredit invested funds 2020

As at 31 December 2020



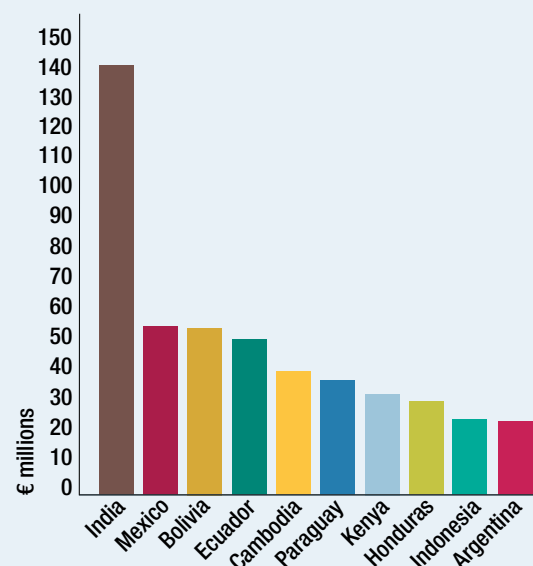
Investment mix Oikocredit invested funds 2019

As at 31 December 2019



10 countries with highest capital outstanding

As at 31 December 2020



The payment holidays (extended repayment periods) that we allowed to partners most in need also affected our income.

Income statement 2020

The net result for the Society decreased to negative € 22.2 million from positive € 14.3 million in 2019, with total operating income falling to € 41.0 million from € 65.1 million. Hedging costs to protect our capital against some of the currency movements mentioned above reduced to € 24.2 million (2019: € 34.6 million) due to the shrinking of the portfolio and the pricing of the hedges. Further, the exchange rate differences caused a loss of € 11.9 million (2019 loss: € 1.3 million).

Loan loss provisions and equity impairments

Total loan loss provisions and impairments on equity investments increased from € 93.2 million in 2019 to € 106.5 million, mainly because of the pandemic. Additions to loan loss provisions rose from € 9.3 million to € 32.0 million, and loan loss provisions grew from 6.8% to 12.6% of the outstanding loan portfolio. Additions to impairments on equity investments decreased from € 13.8 million to € 1.1 million. The level of impairment provision compared to the equity investment portfolio rose from 20.8% to 21.5%. Recoveries made by our Special Collections unit in 2020 exceeded levels achieved the previous year while remaining conscious of the situations faced by partners in distress.

Operational expenses

Strong cost controls following our strategic reorganisation in 2018 and 2019 made a positive contribution to the results. Operating costs were below target for the year, decreasing by 7.7% to € 29.1 million. Reduced staff travel and delays we made to hiring new staff and replacing those who left also affected our operating costs. There were no exceptional operating expenses in 2020. General and administrative costs (excluding grant-based expenses) were at the same level as last year in relation to total assets at 2.3%.

Annual dividend

In June 2020 the Annual General Meeting (AGM), which took place in hybrid form, combining digital with physical presence, agreed to the Managing Board's proposal, approved by the Supervisory Board, to distribute an annual dividend for 2019 of 0%. Although Oikocredit had achieved an improved performance in 2019 and increased profitability, it was considered prudent to award no dividend in view of expectations that the coronavirus would prevent us from reaching our growth and financial return targets for 2020. Not distributing a dividend allowed Oikocredit to add € 11 million to its general reserves that would otherwise have been distributed as dividends. This helped ensure the cooperative's continuity and protection of members' and investors' capital, and allowed us to be flexible in responding to the needs of partners. Based on our loss in 2020 and the medium-term financial outlook, the Managing Board, supported by the Supervisory Board, will propose that the AGM in June 2021 award no dividend for 2020, to protect Oikocredit's reserves.

Term investments

Oikocredit's term investments (bonds) portfolio grew, largely due to the conscious decision to increase the liquidity buffer. The portfolio was valued at € 182.8 million on 31 December 2020. This included € 40 million additional investments in

the bond portfolio from cash and banks. This investment enabled us to remain liquid and generate some income instead of paying negative interest on money held in bank accounts. In 2020 we updated our term investments policy and strengthened the environmental, social and governance (ESG) criteria to ensure investments in liquid assets are reflective of Oikocredit's values. Input on the policy was obtained from a special committee in which members were represented. Interest income from the term investments portfolio totalled € 2.4 million (2019: € 2.3 million), with revaluations at € 0.6 million (2019: € 3.3 million).

Development financing

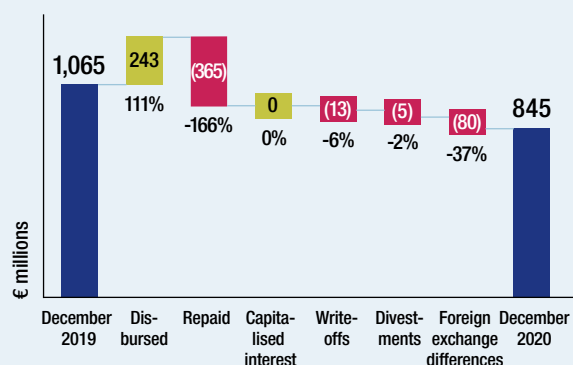
Oikocredit began the year intending to significantly grow the development financing portfolio. In mid-March 2020, as Covid-19 surged around the world, we introduced several key measures to support our partners and to safeguard our loans and investments. This meant supporting partners' business continuity, scenario planning and stress testing capabilities; monitoring existing partners on a monthly basis; providing partners with new financing or granting loan repayment holidays where necessary; suspending the financing of new partners; and ensuring that our staff, now working from home, were fully trained to implement the new business processes.

Throughout the year we granted temporary repayment relief, mainly up to 12 months, to 136 partners. Although we were prepared for more extensive setbacks for our partners, 108 of these partners were able to resume payment of capital and interest in the second half of 2020. The value of the loans with paused repayments represented 9.1% of the value of the loan portfolio at year-end.

We set up a special business task force, which developed and implemented new business guidelines, particularly on how to respond to partners' requests for payment holidays and other contract changes because of reductions in income or other lost revenue. Postponing our growth targets, the objective became risk minimisation. Having first suspended lending to new partners, we resumed this later in the year as the situation appeared to stabilise in many countries. We did so

Progression of the development financing portfolio

As at 31 December 2020



with caution, after conducting assessments of the impact of the pandemic on their business. Strong relationships with partners, which often strengthened further when we offered support, proved more important than ever in these challenging times. Our local presence in many countries helped us understand regional and country realities and differences far better than if we had been a more centralised organisation.

To improve our handling of the pandemic and to exchange knowledge and approaches, we joined weekly calls with eight other leading microfinance investors. The group agreed a memorandum of understanding on how we will support and coordinate loan rescheduling and restructuring for those partners that several of our organisations finance, achieving alignment and cooperation to protect our partners and avoid risks of competition between lenders trying to recover their money. Our calls continue to date on a monthly basis.

We reached a milestone in our digitalisation by developing and successfully piloting our new partner portal with 21 partners across the portfolio. This shared portal enables partners to upload their financial and social monitoring data on a quarterly and annual basis, which our staff can then analyse and provide feedback on. Partners have welcomed this initiative as the first major step in moving towards more digitalised operations, improving our partners' experience, the speed of delivery and the quality of data while reducing cost.

Portfolio volume, approvals and disbursements

Our decision to restrict portfolio growth to safeguard our assets was a key factor in the 20.6% decrease in the total development financing portfolio of credit and equity to € 845.1 million in 2020 from € 1,064.6 million in 2019. Our investing also reduced because many partners that were managing the economic slowdown reasonably well had sufficient liquidity and, because lending to their clients had temporarily diminished, did not currently need new loans that we had previously approved or planned. We expect this to be only a temporary delay in funding needs until economic activities pick up again. In other cases, partners repaid loans ahead of schedule. As mentioned above, part of the portfolio's contraction was also the result of foreign exchange effects. In addition, the portfolio reduced because partners from countries that are no longer in focus under our 2018-2022 strategy repaid their loans.

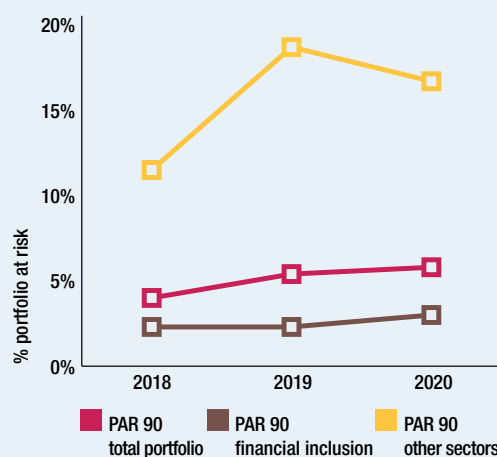
Net approvals fell by 54.9% to € 185.2 million from € 410.2 million in 2019. Disbursements at € 243.5 million were 39.8% lower (€ 404.5 million in 2019). € 228.9 million of these disbursements financed existing partners and € 14.5 million was for new partners. Average outstanding financing per partner fell to € 1.5 million (2019: € 1.6 million). At year-end we had 563 partners in 63 countries compared with 674 partners in 65 countries the previous year. Our strategic withdrawal from non-focus countries ended relationships with 23 partners. In addition, other partners repaid loans ahead of schedule. Unlike in other years, because of the exceptional circumstances departing partners were not replaced straight away with new ones. Several partners were between loans because of their or our own view that the timing was not quite right for new financing.

Key sector developments

Among Oikocredit's three priority sectors, the pandemic tended to impact on financial inclusion partners more severely

Portfolio at risk

As percentage of total development financing
As at 31 December



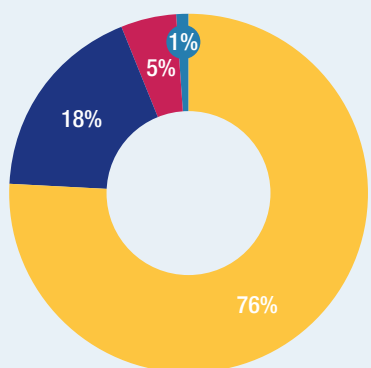
than on those in agriculture or renewable energy. Financial inclusion remains our largest development financing sector, despite decreasing proportionately in 2020 from 77.6% to 75.9% of our total portfolio. The outstanding financial inclusion portfolio, comprising loans to and investments in microfinance institutions (MFIs), financial institutions that support small to medium enterprises (SMEs), and other partners, decreased by 22.4% to € 641.3 million (2019: € 826.3 million), with 395 partners. Approvals totalled € 157.7 million (54.2% down on 2019) and disbursements € 164.4 million (47.4% down). The only growth area in financial inclusion for us in 2020 was fintech (financial technology), which increased from € 15.4 million to € 21.0 million, with 10 partners. In the face of Covid-19, technology-based business models have proved more resilient than traditional ways of working involving face-to-face contact. We have also updated our fintech strategy and internal guidelines incorporating lessons learned and preparing for further portfolio growth in this segment.

In agriculture we held back a number of planned investments with new partners, waiting for the pandemic to recede. Several existing partners experienced disruption, such as delays in shipments or in exceptional cases cancellation of coffee and cocoa contracts. Overall the agriculture portfolio performed relatively well, with food production recognised by many governments as a strategic sector. As a share of our total loans and investments, agriculture grew slightly from 16.2% to 17.6%, reflecting the smaller decline in agriculture relative to loans and investments as a whole. With diminished disbursements, loans and investments in agriculture reduced by 13.7% to € 148.7 million (2019: € 172.3 million), with 131 partners. Approvals fell by 57.3% to € 22.8 million, and disbursements by 17.0% to € 69.1 million. As in other sectors, we intensified our monitoring and support to partners during the crisis.

Agriculture is typically a high-risk sector, and we work to improve portfolio quality. Following an independent review we commissioned in early 2020, we launched an action plan under the name Fresh Fields comprising nine projects to improve and standardise our approach across the sector, including

Development financing outstanding by sector

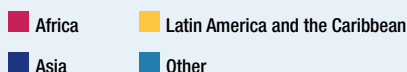
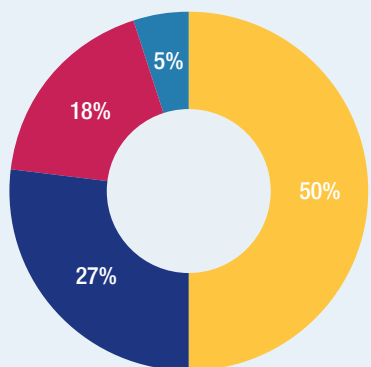
As at 31 December 2020



* including microfinance and SME finance

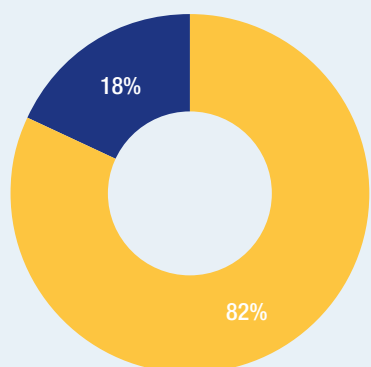
Development financing outstanding by region

As at 31 December 2020



Type of financing offered by Oikocredit

As at 31 December 2020



developing new lending and investment criteria. Our efforts are showing results, with portfolio at risk (PAR) in agriculture improving during the year. We have arranged several new agriculture partnerships to make smaller investments in agricultural SMEs, and with other co-investors to better manage agriculture portfolio risk.

In renewable energy the crisis highlighted the value and impact of off-grid solar installations for poorly served low-income communities. We heard from partners that off-grid solar consumers, even when suffering badly under lockdown measures, continued to value and pay for their solar products. In general, investors maintained support for off-grid solar investees throughout 2020 and often made new investments. As with agriculture, many governments recognised the importance of renewable energy during the pandemic and designated off-grid solar as an essential service that should keep operating during lockdowns.

Our decision not to engage with new partners for six months of the year also held back our growth in renewable energy. In 2020 renewable energy's proportion of our total portfolio grew from 4.9% to 5.4%, although our loans and investments in the sector decreased by 12.2% to € 45.7 million (2019: € 52.1 million), mainly as a result of several early repayments and few new disbursements. The number of renewable energy partners fell to 19. Approvals were € 4.3 million (67.3% lower) and disbursements € 9.5 million (10.9% higher). One notable new investment we made was of € 4.1 million in M-Kopa, which provides off-grid solar home systems and smartphones to clients in Nigeria, Uganda and Kenya. We were also one of the first impact investors in the micro-grid sector, approving our first two loans in micro-grids to supply households and to power productive equipment such as corn grinders, irrigation pumps, refrigerators and welding machines in Benin and Nigeria.

Key regional developments

Oikocredit's strategy prioritises work in Africa, Asia, and Latin America and the Caribbean. We have almost completed our carefully orchestrated withdrawal from Eastern Europe, Central Asia and certain other countries in line with our current strategy.

In Africa the portfolio contracted by 21.9% in 2020 to € 148.4 million from € 189.9 million, with 138 partners and a 17.6% share of our total development financing (2019: 17.8%). As across our portfolio, we suspended the onboarding of new partners and supported existing ones with more frequent contact, new financing, webinars and, where needed, repayment relief. Another fact that contributed to the contraction of the portfolio was our winding down in 11 African countries that are no longer focus countries for Oikocredit. The number of reported coronavirus cases in Africa, where governments took drastic lockdown measures from the outset, has remained low, but economically the outbreak has been very damaging.⁷

African MFIs have had to provide payment holidays for their clients and have seen profits shrink and portfolio quality

⁷ World Bank 2020, [Africa's Pulse: In Sub-Saharan Africa, Strong Policies Can Support Economic Recovery Post-COVID-19](#)

deteriorate, although towards year-end our partners' portfolio quality improved and they have informed us that they're lending again. In Côte d'Ivoire we expanded our credit lines to cocoa partners whose production was spared some of the worst effects of the pandemic and lockdown, because the peak harvest season in West Africa for the best cocoa beans runs from October to December. The drive and flexibility of our partners in adapting to the new market conditions and supporting their clients, such as by advising them on sanitary measures, have impressed us.

Outstanding lending and equity in Asia fell by 27.0% to € 230.5 million in 2020 from € 315.9 million, with 117 partners at year-end and a 27.3% share of the portfolio (2019: 29.7%). In India, where the rupee weakened considerably against the euro, our subsidiary company Maanaveeya maintained portfolio quality and supported partners in need. Most repayments were back on track by the last quarter, and some portfolio regrowth took place after months of contraction. Maanaveeya staff kept closely in touch with partners, holding a successful webinar for 140 participants. Measures taken by the Reserve Bank of India provided respite to partners and their clients and aided recovery.⁸ Maanaveeya helped develop and publish a comic strip pamphlet to promote Covid-19 awareness and safety, particularly among less literate clients of MFIs. Maanaveeya also supported three partners' procurement and distribution of personal protective kits and made charitable donations for general pandemic relief.

In Southeast Asia our plans for investing in pilot sectors were overtaken by the crisis and economic disruption. Our regional team responded with agility, using innovative ways to limit damage to partners and their clients. Partners were very appreciative of our support and swift interventions. Most partners are now getting back on track, and regional portfolio quality has been maintained. We provided modest solidarity funding for sanitation packs, helped disseminate safety information and conducted webinars to support partners' risk mitigation. In addition, to encourage partners to see opportunities arising from the crisis, and to inspire new financial solutions for current clients and other vulnerable unbanked people, we organised a product innovation webinar with a focus on micro-pensions.

In Latin America and the Caribbean (LAC) the portfolio decreased by 17.2% to € 423.0 million from € 510.6 million, with 278 partners and a 50.1% proportion of our outstanding loans and investments (2019: 48.0%). With close to two-thirds of our LAC lending and equity in United States dollars, the dollar's weakening against the euro was a prime cause of portfolio shrinkage, together with our consolidation of loans to reduce risk. Covid-19 hit the LAC region hard in terms of infection and death rates. Employment contracted markedly because of the relatively high number of people in occupations that require physical proximity and fewer jobs where teleworking is possible. Recovery has been slow owing to persisting contagion and weak government capacity and infrastructure.⁹

The region has continued to face challenges in agriculture and socio-political disruption in several countries.

Partners widely welcomed our offer of continuous crisis support, and we arranged webinars on managing the pandemic for financial inclusion partners, coffee partners and MFIs that provide group lending. As one of the first social investors in LAC to offer Covid-19 repayment relief, we shared our approach with others. Lending to SMEs through financial inclusion has become an important part of the LAC portfolio.

Loan portfolio

Loans represent the larger part (82.3% at end-2020) of Oikocredit's development financing portfolio. Because of the pandemic and the measures we took, total outstanding lending (excluding loan loss provisions) decreased to € 695.8 million (24.0% down from € 915.9 million), and the number of credit partners reduced to 520 from 633. We approved € 171.8 million for 108 new loans (2019: € 385.6 million, 182 loans) and disbursed € 235.4 million (2019: € 385.8 million).

Lending in financial inclusion fell 25.4% from € 743.4 million to € 554.8 million, comprising 79.7% of total credit. Agriculture loans decreased 17.6% from € 127.0 million to € 104.7 million, equal to 15.0% of the credit portfolio. And in renewable energy credit was down 17.6% from € 35.6 million to € 29.4 million, a 4.2% share of total lending. Regional proportions of the credit portfolio were: Africa 18.1%, Asia 26.0%, LAC 52.5% and other regions 3.4%.

Equity portfolio

Oikocredit holds minority equity stakes in selected partners to provide patient capital and to contribute as active shareholders to improvements in organisational sustainability and governance as well as financial and social performance. Equity was 17.7% of the development financing portfolio at year-end, with our direct equity holdings growing by 0.4% from € 148.7 million to € 149.2 million (excluding impairments). There were no substantial divestments or capital gains, unlike in a more normal year. Some exits are under way, but the crisis delayed progress. We made a few new investments, mainly in the fourth quarter. Approvals totalled € 13.5 million (2019: € 24.6 million) and disbursements € 8.1 million (2019: € 18.7 million). We hold equity investments in 60 partners in 30 countries, distributed between financial services (€ 86.5 million, 57.9%), agriculture (€ 44.0 million, 29.5%), renewable energy (€ 16.3 million, 10.9%) and other sectors (€ 2.4 million, 1.6%), and between Africa (15.0%), Asia (33.3%), LAC (38.8%) and other regions (12.9%). The equity portfolio generated dividend income of more than € 2.2 million but not the capital gains we had forecast pre-pandemic.

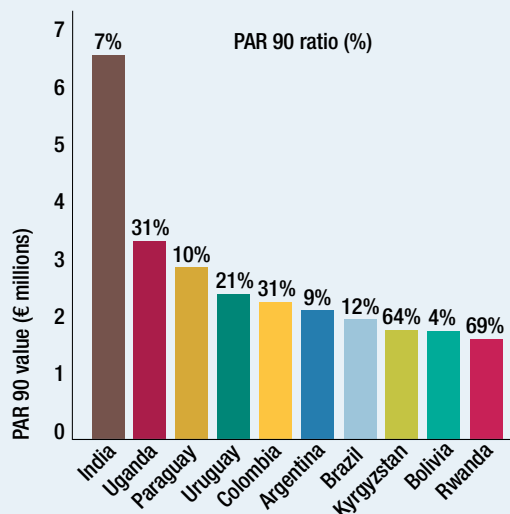
Our equity team maintained close communications with the management teams, boards and co-investors of equity investee partners and supported them in negotiating standstill repayment agreements with lenders, recruiting board directors and implementing strategies to manage Covid-19-related uncertainties. This year we assisted equity partner Caravela in recruiting two women to its board. We invested modestly to support our partners including Avante (fintech, Brazil), Banco Pyme de la Comunidad (microfinance, Bolivia), Tienda Pago (fintech, Mexico and Peru) and Y-cook (food enterprise, India).

⁸ Business Today 2021, [From response to recovery: How COVID-19 crisis spurred turnaround of microfinance industry](#)

⁹ IMF Blog 2020, [Pandemic Persistence Clouds Latin America and Caribbean Recovery](#)

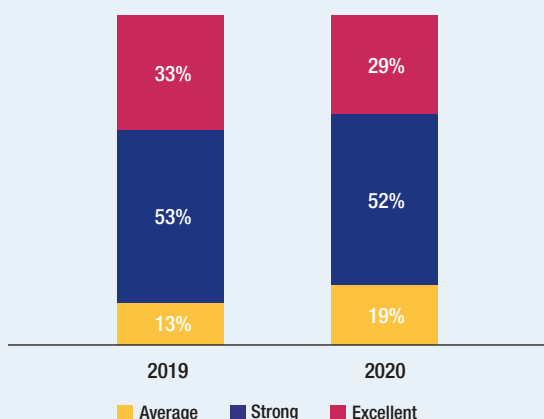
10 countries with highest PAR 90

As at 31 December 2020



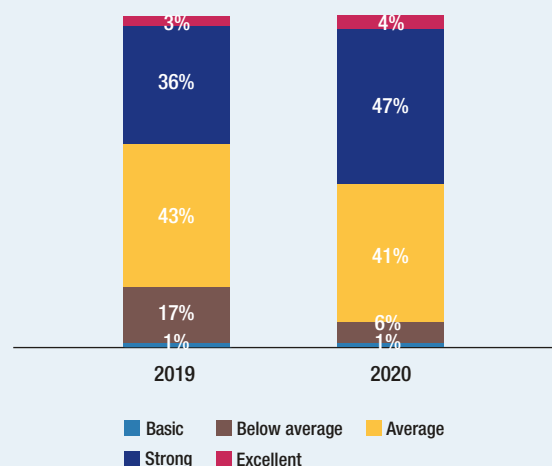
ESG score classification agriculture

Partners approved for financing



ESG score classification financial inclusion

Partners approved for financing



And we made new Investments in BizCapital (Brazil), a digital lending platform for SMEs, and Aspiria (Mexico), a digital lender serving underbanked SMEs. We sold small equity stakes in three partners.

Portfolio quality and portfolio at risk (PAR)

Portfolio quality stayed remarkably stable, given the kind of year 2020 was. Portfolio at risk, measured as the percentage of the credit portfolio with payments more than 90 days overdue (PAR 90) closed the year at 5.8%, slightly up from 5.4% in 2019. We did not include partners granted a payment holiday in calculating PAR 90, and the few partners that have not yet resumed scheduled payments may still represent a significant risk. PAR 90 in agriculture has improved to 17.6% (down from 21.0% in 2019). In financial inclusion PAR 90 was 3.0% (2019: 2.3%) and in renewable energy it was 7.1% (2019: 4.3%). Write-offs, at 1.9% of outstanding loans, were above 2019 levels (0.6%). As an early warning crisis indicator, we managed portfolio quality on more of a PAR 1 basis rather than PAR 30 or PAR 90, contacting partners whose repayments were just one day overdue (rather than 30 or 90 days).

Local currency loans

By lending in local currencies we help protect partners from devaluation impacts as part of our social performance. At end-2020, € 316.0 million (45.4%) of Oikocredit's lending was in local currencies and € 379.9 million (54.6%) in hard currencies such as the euro, British pound and United States dollar (2019: 46.0% and 54.0%). We maintained our hedging of most local currency positions with third parties.

Social performance

Oikocredit achieves social impact through the work of its partner organisations in supporting low-income people to improve their lives. Our decision to postpone planned growth in the development financing portfolio to better support current partners through the coronavirus crisis translated into reduced outreach to low-income people during the year. While this reduction in outreach was unplanned, we believe the decision helped safeguard our own and our partners' social performance.

We also asked ourselves how best to provide practical and moral support to partners in the face of massive and unprecedented disruption. In addition to granting payment deferrals, we stepped up our partner communications, maximising virtual meetings to understand how the pandemic was affecting partners and the assistance they needed most, and to reassure them that we were in this journey together with them.

We organised 19 webinars and online encounters for partners to help reduce their sense of isolation and to support them with business continuity and crisis management tools. Sessions covered cash flow, the health and safety of staff and clients, stress testing, risk and scenario planning, and mutual learning among sector leaders. We also created dedicated webpages providing crisis resources for partners.

In mid-year we launched an African partners' CEO forum. Proposed by Oikocredit's team in Africa, the forum helped bring together CEOs of microfinance partners for mutual solidarity and support. Feedback has been positive, with

participants commenting how the forum has helped them become better at keeping staff informed, motivated and hopeful during these stressful times. Some participants noted the forum's potential to give partners a stronger voice, to influence policy and to push for sector-wide solutions.

Our partners have been very appreciative of the way Oikocredit has supported them through such a difficult year. Many have replicated our solidarity in their own communications and dealings with their clients and members.

Independently of the crisis, we had started to transfer our information on partners' social performance, including assessment against our ESG scorecards, to our new integrated reporting and analysis system (data warehouse). This digitised system now helps us monitor quarterly indicators provided by partners on their outreach to clients. We strengthened the intentionality of our financing decisions by including the outreach objectives for each specific loan or investment and with the digitised partner portal we improved monitoring of the same. We also finalised the ESG policy which requires partners to develop action plans to improve their ESG scores where needed.

Oikocredit's ESG scorecards remain a key tool both for selecting new partners and for monitoring partner performance. We have an ESG scorecard for financial intermediaries, another for financial institutions that support SMEs (including an assessment of SMEs' contribution to employment creation) and a third for agriculture, production and services, which we revised in 2020. A fourth new ESG scorecard, for the renewable energy sector, has been tested and is ready for implementation. This year we conducted six training sessions to keep staff updated on the development of the scorecards. We are transforming these sessions into online learning modules for staff and partners to use in the future.

For financial inclusion partners, the Client Protection Principles (CPPs) have been a long-established standard for responsible lending that we have required partners to endorse and self-assess against. In 2020, although our capacity to monitor partner CPP performance was constrained by the pandemic, we concluded 10 accompanied self-assessments and evaluated the results of the implementation of partners' action plans. We found partners achieving improvements in various areas of client protection. This year the Center for Financial Inclusion, which created the CPPs and promoted them extensively via the Smart Campaign, ended the campaign, and we worked with the Social Performance Task Force (SPTF) and Cerise to incorporate the CPPs as part of the Universal Standards for Social Performance under the banner of the SPTF.

Capacity building

2020 was a year like no other, especially for economically vulnerable groups, who have borne the brunt of the pandemic and its consequences. We redoubled our support for the well-being of partners' staff, clients and members, and we provided additional emergency funding through a solidarity fund.

Solidarity fund and innovative approaches

The Oikocredit International Support Foundation (ISUP) created the coronavirus solidarity fund with an initial € 25,000

from Oikocredit. This was augmented by contributions from members and investors. By year-end the fund had distributed € 70,287 to 38 partners in 19 countries in Africa, Asia, and Latin America and the Caribbean. We used the fund to support the most at-risk partners and their clients in acquiring personal protective gear and sanitation materials as well as to assist partners in conducting awareness training for communities.

With mobility restricted in all countries, we and the consultants supporting our capacity building programmes had to adjust and find new approaches to reach partners, their clients and communities. In East Africa, where we support partners in improving smallholder farmers' access to finance and in providing training in financial management and agricultural practices, our consultants had to meet with farmers in smaller numbers and in the field rather than in indoor workshops. Other capacity building programmes, such as our price risk management support for Latin American coffee cooperatives, were re-engineered to run entirely without in-person meetings. This new way of working was effective and is an unexpected gain from the crisis.

Maintaining capacity support

At the start of 2020 Oikocredit had 11 capacity building programmes operating, and during the year we undertook a further nine new initiatives. Our capacity building spending over the year was € 0.7 million (the same as in 2019), supporting 71 current and potential partners in 26 countries. 79.1% of this support was for partners in the agriculture sector, 19.7% for financial inclusion and 1.2% for other sectors. The regional split was 24.8% for Africa, 2.8% for Asia, 61.0% for Latin America and the Caribbean, and 11.5% for global programmes. We are satisfied to have maintained this level of capacity support during the pandemic.

Most of our capacity building work is funded through ISUP, which raises grants and donations. Key donors to, and strategic partners in, our programmes in 2020 included: Act Church of Sweden; the Evangelische Landeskirche (Evangelical-Lutheran Church) in Württemberg, Germany; the Multilateral Investment Fund managed by the Inter-American Development Bank; Oikocredit Stiftung Deutschland; Oikocredit Nederland; the Swedish International Development Cooperation Agency (Sida); and USAID.

Under its service-level agreement with ISUP, Oikocredit completed several capacity building programmes and projects during 2020. One was the extended first phase of the price risk management (PRM 1.0) training and peer exchange for Latin American coffee cooperatives in partnership with the Inter-American Development Bank, the Safe Platform, Catholic Relief Services, Fair Trade USA and Keurig Dr Pepper. A follow-up to this project (PRM 1.5) was initiated with USAID support to further develop and consolidate the parts of the PRM programme dealing with information management. Another project was our disaster risk reduction initiative for Southeast Asian partners. Even though this focused on natural disasters rather than health issues, the underlying principles proved helpful to partners in their first responses to the Covid-19 crisis.

New initiatives

The year also saw the start of new capacity building initiatives. In Rwanda, for example, we have begun working with Karongi

and Muganza Kivu tea factories to produce two million high-quality tea seedlings. With funding of about € 140,000, raised mainly through Oikocredit's West German support association, the project will distribute the seedlings and provide training in tea cultivation to 2,000 Rwandan smallholder farmers via two cooperatives. Towards the end of the year around 450,000 tea seedlings had already been distributed to 400 farmers, who were also equipped with new cultivation skills. The factories will buy all the tea produced through their linked farmer cooperatives.

Oikocredit has been selected to participate in the Smallholder Safety Net Upscaling Programme, coordinated by the Swiss Agency for Development and Cooperation, the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs, and Ada Microfinance. This is a € 55 million, 10-year, public-private partnership intending to support at least 10 million smallholder farmers in Africa, Asia and Latin America by boosting the development of agricultural value chains. We are one of five impact investors that will provide and facilitate technical assistance to agricultural organisations through the programme. A first application has been submitted to support the development of weather-indexed insurance for smallholder farmers.

Investor relations

Oikocredit began what would prove to be an extraordinary year with an ambition to grow our member capital, but Covid-19 and its consequences changed our plans and the investment landscape. The pandemic and lockdown caused widespread economic uncertainty. Knowing that in such times people often call in their less liquid assets, we wanted to ensure we could continuously redeem our members' shares, and our investors' holdings via the support associations and the Oikocredit International Share Foundation (OISF), in response to requests to withdraw funds. While some members and investors did divest, most stood shoulder to shoulder with us, providing a solid financial basis for our continuity and crisis response. This loyalty demonstrates once again the uniqueness of Oikocredit and the exceptional commitment of our members and investors.

The pandemic prevented us from being able to deliver a dividend in 2020, despite our increased profitability in 2019. As Covid-19 unfolded, many of our assumptions supporting our original decision at the start of 2020 to propose a 1% dividend were overturned. In recognition, our cooperative members agreed not to pay a dividend but instead to strengthen the general reserves to help absorb the loss we could already foresee for the current year due to the economic impact of the pandemic and assist our crisis support for partners. We appreciate that many members and investors not only maintained their investments but also proactively asked what additional support we and our partners needed.

Amid all the economic uncertainty, close collaboration with the support associations and weekly monitoring of inflow enabled us to manage our liquidity, anticipate possible redemptions and honour all redemption requests from members and investors.

Our member share issuance and redemption policy, developed and adopted in 2019, has now been implemented by Oikocredit and the support associations that offer investment.

This creates a monthly cycle for the issuance and redemption of shares across Oikocredit's members and investors, ensures a more standardised and transparent process, and strengthens our controls over liquidity management. Under this new procedure shares are issued and redeemed on the first day of the month following the month when the requests and funds were received. This means that the 2020 member capital numbers below only reflect the requests for issuance and redemption that we received up until the end of November 2020.

Member and investor capital inflow

Although our net inflow of capital from cooperative members and investors via our support associations and OISF (gross inflow minus redemptions) in 2020 was negative € 26.3 million (compared with a positive figure of € 47.4 million in 2019), several larger redemptions were planned. And while some investors left us, most stayed and others joined. Gross inflow of member capital was € 42.3 million (2019: € 78.0 million), and redemptions totalled € 68.6 million (2019: € 30.6 million). The countries with the highest member capital were Germany, the Netherlands, Austria, Switzerland and France.

Total funds available for investing declined slightly by 4.6% to € 1,213.4 million (2019: € 1,271.2 million), including member capital, which fell by 2.3% to € 1,104.1 million (2019: € 1,129.8 million). Total funds available for investing include loans from banking partners who offer Oikocredit-labelled deposits or notes as an alternative way to support Oikocredit. Over the past years we have been consciously scaling back on these collaborations to reduce the cost of capital. We realise that this choice has impacted people who were passionate about supporting our mission but weren't able to invest in their markets other than through banking partners.

The net asset value per share (NAV) declined by 1.8% to € 210.50 (2019: € 214.41) as a result of the loss generated by the Society in 2020, despite a decrease in the number of shares. NAV per share is calculated by adding the total amount of capital and reserves and dividing this sum by the total number of shares issued.

Investors and members

The total number of investors who funded our work through support associations and OISF declined slightly during the year at approximately 51,900 individual investors and 6,500 organisations. Of these latter, 552 were members of our cooperative, with the small reduction from 555 in 2019 resulting from the merger of two support associations in Germany (Oikocredit Förderkreis Nordost and Oikocredit Förderkreis Mittel-deutschland) and two in France (Oikocredit Méditerranée and Oikocredit Franche-Comté Bourgogne) and from a reorganisation of investments by one of our members.

In Canada we discontinued offering new investments through OISF, although retaining existing investments. We also agreed with our Canadian banking partner Kindred Credit Union to phase out our successful five-year cooperation agreement under which Kindred had offered their members guaranteed investment certificates and

matched these deposits with investments in OISF. This was a business decision due to the volume of funds generated in Canada being insufficient to justify in-country operational costs. Kindred continues to be a member of Oikocredit.

While individuals comprise the majority of our investors, churches, church-related organisations, foundations and non-governmental organisations (NGOs) as our organisational investors all make a key additional contribution by raising awareness about our work among their members, peers and constituencies. With their strong compassion for the world's most vulnerable people, our church investors have been among those most loyal to our mission.

Communicating during the pandemic

We have kept our investors more closely informed than ever during the coronavirus crisis, and in this sense Covid-19 has led to our finding new and better ways to communicate. For the first time we held global investor webinars with simultaneous language interpretation at key points during the year, such as when we published our Impact Report 2020.¹⁰ Additionally, we reported to investors on our financial performance (unaudited) on a quarterly basis, including on NAV per share, and more broadly on the effects of the pandemic on our organisation and our partners.

Online investing

Our online portal for individual investors, MyOikocredit, is now available to investors in Spain in conjunction with their consolidation into OISF. MyOikocredit user numbers grew in 2020 by 4,000 to about 16,000 people, with the portal available to individual retail investors across all European countries where the support associations and OISF are active, excluding Ireland, Sweden, Switzerland and the United Kingdom.

Solidarity and community

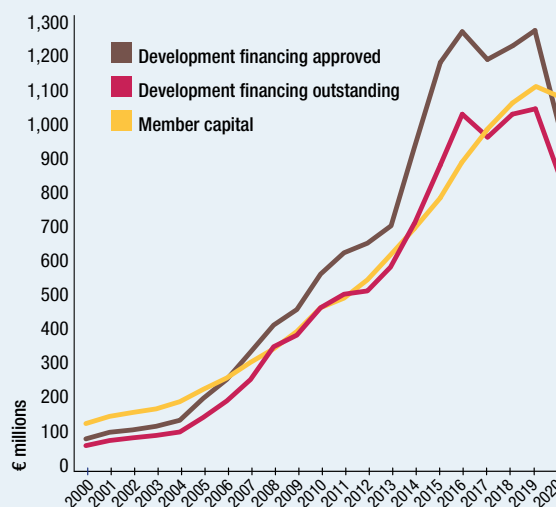
Our investors' solidarity and trust in staying with us through such an unexpectedly difficult year are testament to the fact that Oikocredit is a movement of people united in working for social change as well as a business. We were impressed by members' willingness to accept a dividend of 0% to help ensure the well-being of our cooperative and of our partners and their clients. In addition, several members, including the Dutch Oikocredit support association and the foundation of the German support associations, raised charitable funds to provide emergency relief to some of our most at-risk partners through our coronavirus solidarity fund.

The same spirit of solidarity and community informed two key online events during the year. In Amersfoort in June the cooperative held its 44th AGM, with members and others participating through a web-based conferencing and electronic voting system. Originally planned to be held in Antigua, Guatemala, with visits to in-country partners, the pandemic required us to organise a hybrid meeting with only a few participants present in person at the Oikocredit

¹⁰ Oikocredit 2020, [Impact Report](#)

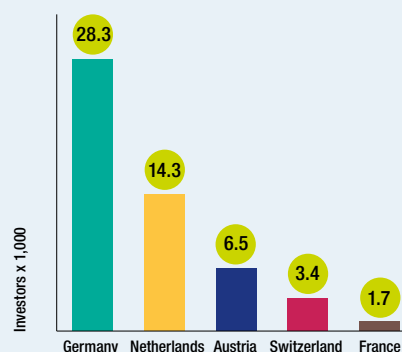
Member capital and development financing

As at 31 December 2020



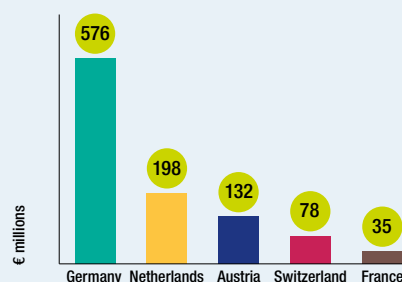
Number of investors

Top 5 countries as at 31 December 2020



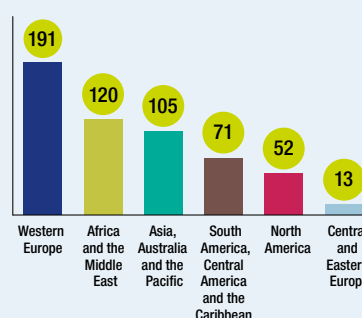
Five countries with highest member capital

Top 5 countries as at 31 December 2020



Number of members per continent

As at 31 December 2020



central office. Approximately 80 member representatives participated or were represented by other members. People appreciated the meeting's effectiveness but missed opportunities for personal interaction.

Oikocredit marked its 45th anniversary in November, also necessarily online, gathering together more than 230 members and staff from around the world to celebrate our mission of investing responsibly to increase the choices of people living on low incomes. The event brought perspective and helped us remember our successes and the challenges we have jointly overcome over the years. To mark the occasion we made a brief video about Oikocredit's history.¹¹

Volunteers, support associations, study tour and online events

As always, we are extremely grateful for the contribution of the hundreds of volunteers who work with our support associations, adding value by raising awareness about our mission at public events and in the media and as support association board members. In the exceptional circumstances of 2020, it was largely impossible for our volunteers and support associations to arrange their usual events programme or to come together on the study tours and road shows that we have organised for many years.

However, at the start of 2020, before most countries went into lockdown, support association volunteers and staff travelled from Europe and North America on a study tour to learn about our work in Ghana. There they visited three financial inclusion organisations, a cocoa cooperative and a renewable energy supplier and operator.

Among our online events for investors during the year, our Indian partner Annapurna Microfinance gave a presentation on the effects of Covid-19 on their microfinance clients. And our support associations in France and Switzerland organised a weekend of trainings and best practice exchanges for French-speaking volunteers.

In 2019 Managing Board members had travelled frequently to meet in person with support associations at their AGMs. This past year we attended several online AGMs instead, using the opportunity to describe the measures the organisation is taking to safeguard our mission.

Members' Council

Oikocredit's Members' Council, formed in 2016, continues to contribute to the cooperative's effectiveness. Now meeting (currently online) at least once a month, the council is considering ways to involve members more in our work, such as through newsletters and events, and has been closely involved in developing our new purpose-driven strategy for 2022 and beyond. Council members give their time voluntarily, for which we are enormously grateful. We are keen to support the council as it grows into its governance role, complementing the work of the Managing Board and Supervisory Board.

Organisational developments

Leadership team

In December 2020, Oikocredit's Director of Finance & Risk, Laura Pool, left us to pursue a career change. We are very grateful to Laura for her three years of invaluable service and wish her every success. Mirjam 't Lam has joined us as our new Director of Finance & Risk with responsibility for the Integrated Reporting & Control department. Mirjam has nearly 20 years' experience in the financial services sector and previously spent close to four years with Africa-focused investment company Arise as Chief Financial Risk Officer.

Our people

At the end of 2020 the cooperative employed 192 full-time-equivalent staff, compared with 201 in 2019. Of the total, 107 worked outside the Netherlands (2019: 110), and globally we employ people of 35 different nationalities in 18 countries.

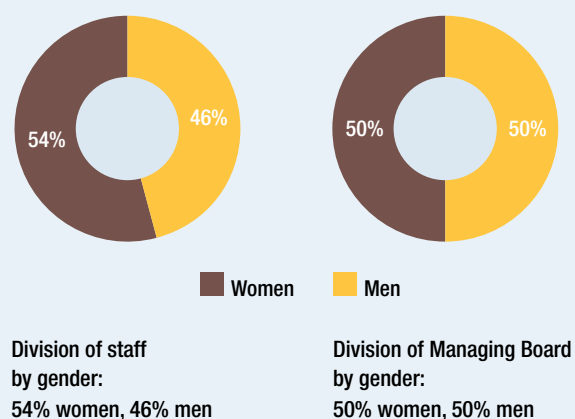
All staff members have signed Oikocredit's code of conduct which has been in place since 2003. The code introduces Oikocredit's general principles, such as Oikocredit being opposed to any form of corruption or bribery. Other topics covered are confidentiality; conflict of interest; expenses; gifts; hospitality; human resources; political/charitable contributions; staff relations; and transparency. The Managing Board actively ensures that internal systems, policies and procedures are consistent with this code and we have a grievance and whistle-blower policy in place that can be triggered in cases of non-compliance with the code.

Collaboration with the Works Council

We are grateful to colleagues in the Oikocredit Works Council with whom we engaged actively throughout the year on topics such as the effect of Covid-19 on staff and working from home, the recruitment of the new Director of Finance & Risk and the implementation of a new performance and development model.

Oikocredit staff overview

As at 31 December 2020



Oikocredit employs people of 35 different nationalities.

¹¹ Oikocredit 2020, [Celebrating 45 years of Oikocredit \[video\]](#)

Effects of Covid-19

As for everyone around the world, the effects of Covid-19 on the way we work and interact have been massive for Oikocredit. From one moment to the next, staff were confined to their homes, while balancing work obligations and care and concerns for relatives and friends in this new reality.

Luckily, we were well equipped to secure our business continuity. From an IT perspective we were well prepared to transition from office-based working to people working from home, because we have had tools for remote and flexible working in place since 2018. Moving to new business collaboration software helped us continue to plan and work in close cooperation. We supported staff with equipment and online skills training as they set up home offices and learned to use new tools, and we underpinned this with assistance and resources to safeguard people's personal well-being. For managers we provided online capability building on crisis leadership.

These adjustments have had a positive spin-off in levelling the playing field for staff. Where we previously organised staff meetings from Amersfoort, setting up a video connection with our offices worldwide, now every staff member attends meetings online, which strengthens the overall sense of community. Our surveys have found that staff feel well supported and appreciate the way Oikocredit has encouraged and assisted them during the pandemic.

Continuous improvement

The Transformation office has led the roll-out of a continuous improvement programme involving self-directed change to eight out of 18 of our business units. Following more than 30 days of kaizen (Japanese for 'change for better') events, we have improved 30 processes, compared to five in 2019.

Previous work using the Lean Six Sigma project 'Safari' has now become business-as-usual, with the Transformation office leading 21 cross-organisational change initiatives in support of our 2018-2022 strategy. Examples include the data warehouse and partner portal (an integrated reporting and analysis system for loans and investments, including social performance monitoring); outflow optimisation; digitising HR systems and performance management; automating and standardising legal contracting with partners; and providing e-learning and informal talks for staff on project management and transformation skills.

With the IT & Operations department we are implementing our IT strategy to increase the effectiveness of digital interactions with partners. The Operations unit, created in 2019, has continued to achieve process standardisation efficiencies, including in the way OISF handles investor requests from different countries.

Environment

Protection of the environment is one of the key values on which Oikocredit bases its work and is embodied in our environmental policy. Our partner assessments using the ESG scorecards screen for environmental issues in all sectors where we invest, while our growing support for renewable energy partners is designed both to address

energy poverty and to increase the supply of clean, low-carbon solutions around the world. The environmental policy also commits us to reduce our operations' environmental impact and to compensate for our carbon emissions. We calculate our carbon footprint annually and purchase FairClimateFund Fairtrade Gold Standard carbon credits to offset the previous year's CO₂ and other greenhouse gas emissions, which mainly result from air travel. FairClimateFund projects benefit low-income households through the supply of biogas digesters and cookstoves. In 2020 we offset 946 tonnes of CO₂ equivalent emissions from 2019. The carbon footprint reduced significantly in the past year as we restricted our work travel.

Risk management

Oikocredit maintains three lines of defence against risk across all departments and areas of work, as well as risk committees providing enhanced risk assessment and monitoring (see Note 5 of the financial statements). Major themes within risk management in 2020 included further improvement of the share issuance and redemption process, liquidity management, upgrading of the IT security framework, and improved policies and procedures management. Oikocredit further strengthened its three lines model with improvements in the areas of reporting and managing non-financial risks, timely gathering of higher quality information on financial risks, and updated 'know your customer' requirements. Additionally, given the areas and sectors Oikocredit is active in, we are aware of the risk of integrity- or fraud-related events and maintain a range of policies – including but not limited to a 'know your customer' policy, an anti-bribery and anti-corruption policy, a whistle-blowing policy and the code of conduct – and various control activities (such as due diligence) to mitigate such risks.

Taxes

In 2020 Oikocredit paid all taxes that were due in the countries where we operate. We made tax assessments for every country where we are active and made provisions for taxes that may be due in the future.

Looking ahead

We have much planned for 2021 but recognise that the coming year will be beset with uncertainty. External developments may impact our ambitions, and we may need to adapt to changing circumstances. We nevertheless expect 2021 to be a year of recovery, despite the economic upturn being relatively slow in many of our focus countries. Closeness to our partners should enable us to respond well to opportunities as local economies recover, and allow us to help stimulate economic revival. The year is, however, very likely to witness increasing poverty in many low-income communities. The improved collaboration and cooperation between social investors that occurred in 2020 should help us align our efforts in delivering social impact.

As the crisis eases, we will reduce our liquidity to a more normal level and thereby fund growth in the development financing portfolio. By mid-year we should know more about the post-coronavirus landscape, and by end-2021

we expect to resume profitability. Externally, we expect high liquidity and low interest rates to stay prevalent.

Continuing on our pathway of becoming leaner and more efficient, we will progress change initiatives under the current strategy, such as our partner portal. Further investment in our systems and IT will provide better-quality data. Demonstrating impact will remain a priority. We will monitor the European Union's emerging new requirements on non-financial reporting. The global tax and accounting landscape is changing, which will require us to update the tax control framework.

In development financing Oikocredit will continue to work on outflow optimisation, including digitalising our loan origination processes. Some partners may need extended loan rescheduling or formal loan restructuring, and we will continue coordinating responses to partners in distress with our peers. Until risk levels reduce, we will stay cautious in lending and investment decisions while pursuing our plans to resume portfolio growth.

In response to widespread need, we aim to add to our financial inclusion portfolio fintech partners that provide basic financial services beyond loans. In agriculture promising new partnerships, delayed in 2020, should be back on track. A new East African programme in collaboration with USAID will support small agriculture SMEs in Kenya and Rwanda. We will implement an improved monitoring system for agriculture. In renewable energy the focus will remain solar home systems and mini-grids, commercial and industrial solar for SMEs, and clean cooking.

In Africa, despite scenario predictions of persisting negative developmental effects of Covid-19,¹² our strong pipeline of potential projects makes us optimistic. In India well-managed financial institutions and social enterprises have proved resilient, and early large-scale vaccinations and GDP growth are anticipated. Southeast Asia's recovery is expected to largely depend on global economic developments and the efficiency of mass vaccination. The rebound in the LAC region is likely to be slow and may be hit by further waves of the pandemic. We will continue in LAC to work on partners' social performance on ESG issues and transparency.

As financial institutions seek to strengthen their balance sheets following the coronavirus crisis, we see new equity and lending opportunities in our focus countries to invest in quality institutions that serve low-income people.

In social performance and capacity building, we aim to collect better data at client level, including through a regular and more systematic survey of clients' perceptions of change in their lives. We hope to increase partners' appreciation of data use. We will facilitate partners' online access to our courses and materials, such as for our price risk management programme and on social performance management. We plan to extend the PRM programme to Africa and more partners in Latin America and the Caribbean, and to work on developing women's entrepreneurial skills in Ghana. Building resilience

and addressing poor people's vulnerabilities post-crisis will be a key challenge.

After two years of making Oikocredit fitter for the future at central office and in our offices around the world, we will review our model for raising capital to ensure it is equally fit and consider ways to enhance the role of members and investors. Further work on our systems for capital inflow will help provide a better service to investors, including new IT to enable investors to manage investments online as well as via current channels. We will involve members and investors closely as we further develop the 2022-2026 strategy.

Maintaining a focus on continuous improvement, we will seek further organisational efficiencies. People development will remain crucial for building our capabilities and strengthening our culture of performance feedback and collaboration. Our people's well-being remains a priority.

We will be looking for a replacement for Thos Gieskes who, after four years as Managing Director, announced that it was the right time to explore new opportunities. To ensure a smooth transition, Thos will continue to work for Oikocredit until 1 October. We are thankful to Thos for his flexibility in this regard and for his ongoing dedication to Oikocredit.

We have high hopes and ambitions for the new 2022-2026 purpose-driven strategy. We have assembled a broad range of perspectives, insights and ideas for our strategic direction, and will test scenarios and strategic choices in preparation for presentation to cooperative members at the 2021 AGM.

Conclusions

Despite the challenges that nobody had predicted and few could escape, Oikocredit can be satisfied that we worked well with our stakeholders to respond effectively together to the (as yet unresolved) coronavirus crisis. The Managing Board are proud of the Oikocredit team's tireless commitment, satisfied that we continued to keep our partners and the low-income people they serve at the centre of our work, and hugely appreciative of our members and of our investors. Without the resilience, loyalty and solidarity that came to the fore, the year could have been far worse for us. Our members, investors, staff, and colleagues at our support associations have ensured that the cooperative has managed the pandemic well. And our close and transparent relationships with partners enabled us to jointly address their concerns and ensure continuity. Oikocredit invests in people, and it is people who made all the difference for us in 2020.

Amersfoort, 9 March 2021

Thos Gieskes
Managing Director

Ging Ledesma
Director of Social
Performance Innovation

Petra Lens
Director of People & Change

Patrick Stutvoet
Director of IT & Operations

Mirjam 't Lam
Director of Finance & Risk

Bart van Eyk
Director of Investments

¹² Institute for Security Studies 2020, [Impact of COVID-19 in Africa: a scenario analysis to 2030](#)



Supervisory Board report

Annapurna Mahila Coop Credit Society Ltd, India
Asha Ashok Bhoite and her husband Ashok Dattatray Bhoite run a catering business from their home and are clients of Oikocredit partner Annapurna Mahila Coop Credit Society. Annapurna is a multi-state cooperative aimed at self-employed people on low incomes. It believes low-income households need more than just loans and has been providing comprehensive poverty alleviation solutions for more than 10 years.

Steering through the storm

Under Oikocredit's two-tier governance structure, the Supervisory Board is responsible for hiring, supervising and advising the Managing Board and overseeing the general course of affairs of the cooperative.

The Supervisory Board is guided by the vision, mission and values of Oikocredit as a whole and takes into consideration the interests of members, partners, employees, investors and its broader social responsibilities. We supervise and advise the Managing Board on member and investor relations, strategic planning, governance, regulatory compliance, and finance and risk management.

Key discussions and decisions

In 2020 the Covid-19 crisis forced the Supervisory Board to concentrate on monitoring measures taken by the Managing Board to limit the impact of the pandemic. At the same time we monitored the organisation's progress in implementing its current strategy and engaged in the process of developing a future strategy.

Covid-19 impacts

Following the outbreak of the coronavirus, in consultation with the Managing Board, the Supervisory Board formed a Covid-19 task force. The mandate of the task force was to provide input, guidance and direction to the Managing Board, to ensure regular communication between the two boards, and to increase monitoring of the Managing Board's response to the crisis and business continuity planning. The task force met regularly online with the Managing Board from the start of the crisis until the end of August 2020. Thereafter, the Supervisory Board Covid-19 task force activities were divided between the existing Supervisory Board committees.

Throughout the year we discussed with the Managing Board the Covid-19 risk assessment model, which provides guidance on the risk assessment of partners affected or likely to be affected by the crisis. The Supervisory Board followed closely the impact of payment holiday requests on loan loss provisions and monitored the quality of the equity portfolio. We also discussed with the Managing Board other measures taken to support partners, such as the coronavirus solidarity fund.

Together with the Managing Board, we considered short- and mid-term plans for recovery from the Covid-19 crisis. These included preparations to take advantage of liquidity levels – which were carefully and intentionally preserved during the pandemic – to grow the development financing portfolio.

Employer role and leadership transition

In the Supervisory Board's employer role, we further developed arrangements relating to the employment of Managing Board members, including updated

employment conditions and collective and individual performance evaluation. We also led the process of ensuring a smooth transition in the role of Director of Finance & Risk, culminating in the hiring of Mirjam 't Lam.

Oikocredit's Managing Director Thos Gieskes will be leaving the cooperative this year. Through his hard work and dedication, he has guided Oikocredit through some challenging times and put the organisation in a good position for the coming years. The Supervisory Board is grateful for his contributions to Oikocredit over the past four years and wish him every success with his new endeavours. Thos will continue to work for Oikocredit until 1 October, which allows us time to find a suitable successor.

Financial performance and strategy implementation

Working with the Managing Board, the Supervisory Board continued to refine the balanced scorecard and the indicators that Oikocredit uses to link financial and social performance to strategy. We discussed with the Managing Board translation of the balanced scorecard into strategic actions, change initiatives and a change agenda. We paid particular attention to the agriculture and equity portfolios, examining with the Managing Board recommendations from an independent review of the agriculture strategy and considering the potential for long-term engagement with partners through the equity portfolio.

We reviewed the 2021 budget in depth and with the Managing Board addressed opportunities for portfolio growth, margin improvement, risk containment measures and marketing plans, and deliberated on the financial outlook for 2022 and 2023. We approved the launch of a 2022-2026 purpose-driven strategy process and committed to actively accompanying the Managing Board in the process through the participation of our Strategy Committee. We received regular progress reports on the strategy process from the Managing Board and the Strategy Committee.

Dutch Structure Regime and Supervisory Board composition

At the June 2019 Annual General Meeting (AGM), members agreed to modify the rules for the appointment, suspension and dismissal of Supervisory Board members set out in the Articles of Association in order to implement the Dutch Structure Regime applicable to "large companies" under Dutch law. Members of the Supervisory Board are now nominated by the Supervisory Board and appointed by the Annual General Meeting. Candidates for nomination may be recommended by the AGM, Managing Board, Works Council, cooperative members and other bodies or individuals. Per vacancy, the Supervisory Board nominates one candidate for appointment, who will be appointed unless the AGM or Works Council object. In June 2020 Joseph Patterson was appointed to his second term on the Supervisory Board, the first time such an appointment was made under the

new rules. At the same time, following the previous year's AGM resolution, the Supervisory Board was reduced from 11 members to nine to match earlier reductions in the number of Managing Board members and overall staffing.

Board meetings

The Supervisory Board met in a hybrid format for three days in March 2020 and by video conference for a further seven days during the year. Supervisory Board members considered that meetings held online during the year were both efficient and effective.

Attendance at Supervisory Board meetings in 2020

| Supervisory Board members 2020 | Meeting attendance (days) |
|---|----------------------------------|
| Joseph Patterson (Chair) | 100% (10/10) |
| Annette Austin (completed term in June 2020, Vice-Chair to June 2020) | 100% (6/6) |
| Cheryl Jackson (Vice-Chair from June 2020) | 100% (10/10) |
| Gaëlle Bonnieux | 100% (10/10) |
| Myrtille Danse | 90% (9/10) |
| Tsitsi Dozwa-Choruma | 90% (9/10) |
| Nitin Gupta | 100% (10/10) |
| Eitjo Kok | 80% (8/10) |
| Maya Mungra | 90% (9/10) |
| Åsa Norell (completed term in June 2020) | 83% (5/6) |
| Ruth Waweru | 100% (10/10) |

In September the Supervisory Board organised a training session led by external experts on risk governance including the three lines model, capital management and internal audit.

Board committees

The Supervisory Board has five committees to advise it on specific matters. The committees are composed exclusively of Supervisory Board members. Specified Managing Board members have standing invitations and attend meetings when their input is necessary for committee deliberations. These committees are the Strategy Committee, People Committee, Governance Committee, Audit and Risk Committee, and Investment Committee.

Strategy Committee

The Supervisory Board Strategy Committee (SBSC) is responsible for reviewing Oikocredit's process for strategy development, monitoring its implementation and desired outcomes, and consulting with the Managing Board and stakeholders on the development of future strategies. The SBSC met nine times in 2020. Designated members of the committee met an additional five times to address specific topics. During the year the SBSC discussed progress reports on strategy implementation; actions taken to mitigate the impacts of Covid-19; the further enhancement of the balanced scorecard; improvements in data used

to measure social impact under the current strategy; and the new strategy development process, including consultations with internal and external stakeholders.

People Committee

The Supervisory Board People Committee (SBPC) supports the Supervisory Board in its statutory role as the employer of the members of the Managing Board. This includes supporting decision-making by the Supervisory Board in appointing, dismissing and evaluating the performance of Managing Board members. The SBPC also supervises people and change strategies, plans and policies. Since 2019 the SBPC has also been responsible for advising the board on Supervisory Board nominations as well as coordinating and carrying out Supervisory Board nomination procedures.

The SBPC held 21 meetings in 2020. Topics discussed included performance evaluation of the Managing Board, leadership succession planning and training. The SBPC led in hiring the new Director of Finance & Risk. At the end of 2020, the committee initiated the process of inviting applications from qualified candidates to join the Supervisory Board to replace two members expected to retire at the AGM in June 2021.

Governance Committee

The Supervisory Board Governance Committee (SBGC) is responsible for assisting and advising the Supervisory Board in fulfilling its legal and ethical responsibilities through an adequate governance framework and delivery of a best-practice approach to committee and policy structures. It also monitors adherence to the governance framework. The SBGC met five times in 2020. Topics discussed included the corporate governance reference framework, revision of the Supervisory Board rules, the review of committee terms of reference, and the review and revision of the Articles of Association.

Audit and Risk Committee

A key responsibility of the Supervisory Board Audit and Risk Committee (SBARC) is to assist the Supervisory Board in fulfilling its oversight responsibilities regarding the integrity of the organisation's financial statements and the effectiveness of its internal controls. The SBARC monitors and oversees the financial and risk-reporting processes, the systems of internal controls established by management, auditing, and the company's process for monitoring compliance with laws and regulations. The SBARC also advises the Supervisory Board on the overall risk appetite, risk management governance and the organisation's risk strategy, and it supports the Supervisory Board in monitoring the realisation of strategic financial targets and the maintenance of sound risk management practices by the Managing Board.

The SBARC met 10 times during 2020. In addition, the Chair and members of the SBARC held individual meetings with the Director of Finance & Risk and the Global Head of Internal Audit. The committee paid particular attention to: the organisation's financial performance,

capital and liquidity management; the principles of valuation and determination of results for the financial statements; the risk appetite, risk strategy and business activities in relation to these matters, most notably in response to the Covid-19 pandemic; compliance with laws and regulations; and internal and external audit.

Investment Committee

The Supervisory Board Investment Committee (SBIC) is mandated to review and approve loans and equity investments that have a value of € 10 million and above. During 2020 the SBIC held four meetings and approved two facilities in excess of € 10 million. Discussions with management focused on tracking portfolio performance, the disbursement status of previously approved projects, the portfolio of partners on payment holidays, and lessons learned from the pandemic. Additionally, the committee continuously encouraged management to ensure that the organisation remained focused on opportunities despite the negative impact of the crisis.

Board remuneration

Oikocredit compensates Supervisory Board members for travel, administrative expenses and loss of income due to the extensive time commitment involved in serving on the board. Expenses differ per Supervisory Board member according to distances travelled and specific activities and responsibilities, such as chairing the board or one of its committees. The AGM sets the remuneration of Supervisory Board members, based on principles of fairness and restraint. Details on the remuneration of Supervisory Board and Managing Board members are described in Note 35 of the financial statements.

Interaction with stakeholders

The Supervisory Board Chair held a video conference with the Chair and other members of the Members' Council and discussed the council's activities, projects and other topics including our governance structure and strengthening the Members' Council's role within Oikocredit.

Although we were unable to meet in person with cooperative members and support associations, several Supervisory Board members attended the 2020 online winter meeting of the inflow network and all the board's members attended the hybrid AGM in June 2020. Some Supervisory Board members also participated in online strategy workshops with Oikocredit staff and members. In January the Chair of the Supervisory Board attended an extensive study tour in Ghana where he engaged in learning and sharing activities with partners and their clients, members, investors and staff.

Looking ahead

In 2021 the Supervisory Board will closely monitor Oikocredit's continuing management of, and (assuming circumstances improve) emergence from, the Covid-19 crisis. We will also pay particular attention to improvements achieved in social impact monitoring and evaluating data and the quality of results as the organisation completes the final year of its current updated strategy. Further development, prior to implementation, of

the new purpose-driven strategy for 2022-2026 will remain of major importance, alongside the continued implementation of plans for digital transformation and innovation and additional refinement of the balanced scorecard to drive business actions and change initiatives.

With the anticipated economic recovery (albeit slow in many of our focus countries), we will carefully follow the organisation's renewed portfolio development, including advances in the agriculture and renewable energy sectors. Alongside performance management, we will work on succession planning, leadership training and development, and strengthening organisational culture as Oikocredit builds back its business in the aftermath of the pandemic.

Amersfoort, 9 March 2021

Joseph Patterson
Chair

Cheryl Jackson
Vice-Chair

Gaëlle Bonnieux
Supervisory Board member

Myrtille Danse
Supervisory Board member

Tsitsi Dozwa-Choruma
Supervisory Board member

Nitin Gupta
Supervisory Board member

Eltjo Kok
Supervisory Board member

Maya Mungra
Supervisory Board member

Ruth Waweru
Supervisory Board member

Consolidated financial statements



Fourth Partner Energy Pvt. Ltd, India
Fourth Partner Energy Pvt. Ltd is a renewable energy company that provides rooftop solar photovoltaic systems as well as lanterns, street lights, charge controllers and home lighting systems. Its customer base includes banks, fuel stations, offices, hospitals, hotels, schools, colleges and homes. Featured in this photo are Krishna Kale and Ganesh Kokate, employees of Maharashtra Institute of Technology in Pune, one of Fourth Partner Energy's customers.

Consolidated balance sheet

(Before appropriation of net income)

| Consolidated balance sheet | | | |
|----------------------------|---|------------------|------------------|
| Notes | 31/12/2020 | 31/12/2019 | |
| | € ,000 | € ,000 | |
| NON-CURRENT ASSETS | | | |
| 6 | INTANGIBLE FIXED ASSETS | 783 | 316 |
| 7 | TANGIBLE FIXED ASSETS | 3,397 | 4,209 |
| FINANCIAL ASSETS | | | |
| 8 | Development financing: | | |
| | Total development financing outstanding | 845,063 | 1,064,591 |
| | Less: - loss provision and impairments | (106,456) | (93,195) |
| | | 738,607 | 971,396 |
| | <i>Consists of:</i> | | |
| | <i>Loans (net of loss provision)</i> | <i>621,434</i> | <i>853,705</i> |
| | <i>Equity (net of impairments)</i> | <i>117,173</i> | <i>117,691</i> |
| 9 | Other securities | 35,168 | 35,270 |
| 10 | Other financial assets | 4,999 | 5,169 |
| | Total | 778,774 | 1,011,835 |
| | Total non-current assets | 782,954 | 1,016,360 |
| CURRENT ASSETS | | | |
| 11 | Term investments | 182,811 | 139,821 |
| 12 | Receivables and other current assets | 39,466 | 44,332 |
| 13 | Cash and banks | 236,482 | 109,846 |
| | Total | 458,759 | 293,999 |
| | TOTAL | 1,241,713 | 1,310,359 |

The accompanying notes are an integral part of these financial statements.

Consolidated income statement

| Consolidated income statement | | | |
|---|---|-----------------|-----------------|
| Notes | 2020 | 2019 | |
| | € ,000 | € ,000 | |
| INCOME | | | |
| Interest and similar income | | | |
| 23 | Interest on development financing portfolio | 77,084 | 91,495 |
| 23 | Interest on term investments | 2,430 | 2,274 |
| 11/23 | Revaluation term investments | 600 | 3,265 |
| | Total interest and similar income | 80,114 | 97,034 |
| Interest and similar expenses | | | |
| 24 | Interest expenses | (2,522) | (1,658) |
| | Total interest and similar expenses | (2,522) | (1,658) |
| Income from equity investments | | | |
| 25 | Result from sale of equity investments | (2,887) | 6,087 |
| 25 | Dividends | 2,209 | 2,056 |
| 25 | Management fees funds | (257) | (3,789) |
| | Total income from equity investments | (935) | 4,354 |
| 26 | Grant income | 484 | 1,054 |
| Other income and expenses | | | |
| 27 | Exchange rate differences | (11,866) | (1,336) |
| 27 | Hedge premiums and provisions | (24,239) | (34,643) |
| 27 | Dividend from other securities | 255 | 208 |
| 27 | Impairment from other securities | (354) | - |
| 27 | Other | 39 | 85 |
| | Total other income and expenses | (36,165) | (35,686) |
| | TOTAL OPERATING INCOME | 40,976 | 65,098 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | |
| 28 | Personnel | (15,920) | (18,869) |
| | Travel | (176) | (874) |
| 29 | General and other expenses | (12,995) | (11,762) |
| | TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | (29,091) | (31,505) |
| ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS | | | |
| 30 | Additions to loss provisions | (31,951) | (9,261) |
| 30 | Impairments on equity investments | (1,067) | (13,849) |
| | TOTAL ADDITIONS TO LOSS PROVISIONS AND IMPAIRMENTS | (33,018) | (23,110) |
| | INCOME BEFORE TAXATION | (21,133) | 10,483 |
| 31 | Taxes | (1,756) | (3,400) |
| | INCOME AFTER TAXATION | (22,889) | 7,083 |
| 18 | Third-party interests | - | - |
| 32 | Additions to (-) and releases (+) from funds | 707 | 7,191 |
| | INCOME FOR THE YEAR AFTER ADDITIONS TO AND RELEASES FROM FUNDS | (22,182) | 14,274 |

The accompanying notes are an integral part of these financial statements.

Consolidated cash flow statement

| Consolidated cash flow statement | | |
|---|--|-----------------|
| <i>Notes</i> | 2020 | 2019 |
| | € ,000 | € ,000 |
| | (21,133) | 10,483 |
| | Adjusted for non-cash items | |
| 8/12 Value adjustments loans, equity and receivables | 38,953 | 29,962 |
| 11 Unrealised revaluation term investments | (600) | (3,265) |
| 6/7 Depreciation (in)tangible fixed assets | 979 | 1,050 |
| 10/12/21/31 Taxes | (1,658) | 1,925 |
| Exchange rate adjustments | 69,435 | (10,487) |
| | Changes in | |
| 8 Development financing (disbursements and repayments) | 121,314 | (49,582) |
| 10 Other financial assets | 55 | 10 |
| 12 Receivables and other current assets | 5,644 | 7,961 |
| 19 Provisions | 738 | (749) |
| 21 Current liabilities | 30,843 | (24,364) |
| CASH FLOW FROM OPERATING ACTIVITIES | 244,570 | (37,057) |
| | CASH FLOW FROM INVESTING ACTIVITIES | |
| 11 Term investments | (42,642) | (1,927) |
| 6 Intangible assets | (540) | (249) |
| 7 Tangible assets | (94) | 19 |
| CASH FLOW FROM INVESTING ACTIVITIES | (43,276) | (2,157) |
| | CASH FLOW FROM FINANCING ACTIVITIES | |
| 14/45 Member capital (issue and redemptions) in euro and foreign currencies | (25,762) | 47,340 |
| Dividend paid on member capital in euro and foreign currencies | - | (11,538) |
| 18 Third-party interests | - | (1,724) |
| 20 Loans and notes | (48,896) | 5,655 |
| CASH FLOW FROM FINANCING ACTIVITIES | (74,658) | 39,733 |
| CHANGES IN CASH AND BANKS | 126,636 | 519 |
| | CHANGES IN CASH AND BANKS | |
| 13 Cash and banks beginning of the year | 109,846 | 109,327 |
| Cash and banks end of the year | 236,482 | 109,846 |
| CHANGES IN CASH AND BANKS | 126,636 | 519 |

The accompanying notes are an integral part of these financial statements.

Consolidated statement of comprehensive income

| Consolidated statement of comprehensive income | | |
|---|-----------------|----------------|
| <i>Notes</i> | 2020 | 2019 |
| | € ,000 | € ,000 |
| | (22,182) | 14,274 |
| INCOME FOR THE YEAR AFTER ADDITIONS TO AND RELEASES FROM FUNDS | | |
| 15 Change in the restricted exchange fluctuation reserve | (4,458) | (2,727) |
| 17 Change in funds for subsidised activities and model costs | (697) | 324 |
| Total of direct movements in the group equity and funds | (5,155) | (2,403) |
| COMPREHENSIVE INCOME | (27,337) | 11,871 |

The accompanying notes are an integral part of these financial statements.

Notes to the consolidated financial statements

Year ended 31 December 2020

These financial statements are expressed in euro (€). As at 31 December 2020, US\$ 1 equalled € 0.817996 (31 December 2019: US\$ 1 equalled € 0.89055).

1 General information

Description of the organisation

OIKOCREDIT, Ecumenical Development Cooperative Society U.A. (the Society) was established in 1975 in Rotterdam, the Netherlands, and has corporate status under the laws of the Netherlands. The Society is owned by its members throughout the world. Members include churches, subdivisions of churches, councils of churches, church-related organisations, partners (organisations to which the Society extended a loan or equity investment) and support associations established by individuals and local parishes. The Society has an undefined ending date.

The entities belonging to the Oikocredit group (Oikocredit) are: the Society, which is registered in Amersfoort, the Netherlands; Stichting Oikocredit International Support Foundation (Support Foundation) in Amersfoort, the Netherlands; Maanaveeya Development & Finance Private Limited in Hyderabad, India; and Finance Company Oikocredit Ukraine in Lviv, Ukraine (in liquidation).

Oikocredit's mission is to challenge all to invest responsibly. It provides financial services and supports organisations to improve the quality of life of low-income people and communities in a sustainable way.

Oikocredit's vision is a global, just society in which resources are shared sustainably and all people are empowered with the choices they need to create a life of dignity.

In the following countries Oikocredit has offices which may have differing legal statuses depending on the laws of the country concerned. Oikocredit has its central office in Amersfoort, the Netherlands, and has regional offices in the following locations: Hyderabad, India; Lima, Peru; Manila, the Philippines; and Nairobi, Kenya. In addition, it has offices in Argentina, Brazil, Costa Rica, Côte d'Ivoire, Ghana, Guatemala, Mexico, Nigeria, Paraguay and Uruguay.

The offices in Brazil, Costa Rica, Ghana, Guatemala, Kenya, Nigeria, the Philippines and Uruguay are incorporated as legal entities. Due to the limited size of the assets of these legal entities, it was decided to regard these assets as if they were branch offices.

Oikocredit has national support offices in Austria, France and Germany that carry out or support efforts to attract investors and members in those countries.

Low Income Countries (LIC) Loan Fund

The LIC Loan Fund was created as a restricted, closed-end, tax-transparent investment fund (*beleggingsfonds*) that invested in partners in low-income countries. The fund was not an incorporated legal entity, but an unincorporated fund for joint account (*fonds voor gemene rekening*). The fund and the participations were not listed on any stock exchange. The Society acted as the fund manager of the LIC Loan Fund. In June 2017 the LIC Loan Fund reached the end of its five-year investment period. In November 2017 the terms and conditions of the LIC Loan Fund were amended to allow for the distribution of distributable assets.

On 17 December 2019 the Society took over the assets and liabilities of Financierings-Maatschappij voor Ontwikkelingslanden (FMO) in the LIC Loan Fund and incorporated these assets and liabilities into the administration of the Society. The LIC Loan Fund was dissolved in 2019.

Oikocredit International Support Foundation (Support Foundation)

The Support Foundation was established in 1995, in Amersfoort, the Netherlands, in accordance with Dutch law. The duration of the Support Foundation is unlimited. The main purpose of the Support Foundation is to mobilise grant funds to support the Society or one of the Society's related foundations through various subsidised activities such as technical assistance and 'model costs' of the Society. 'Model costs' are costs no financial institution of this size would incur, but which are an integral part of the Society's cooperative model. The board of the Support Foundation has decided to allocate some of these costs to their account (Category A) and to endeavour to raise funds to subsidise part of the remaining costs (Category B).

Category A costs are:

- 100% (2019: 100%) of external capacity building for partners

Category B costs are:

- Investor relations costs: besides the Category A costs charged to the Support Foundation, the target is to raise subsidies and grants and 15% of technical and organisational assistance to support associations.
- Incidental costs: to be decided on a case-by-case basis.

Guarantee funds are and the local currency risk funds were (up to 1 December 2019) included in the Support Foundation. The guarantee funds are available to cover the Society's partners deemed to carry higher risks than on average. The local currency risk funds were available to offset the risk of currency losses on Oikocredit loans disbursed in local currencies. The Support Foundation and the Society mutually agreed to end the covering of these currency risks with effect

from 1 December 2019 and to transfer the balance of the local currency risk funds to the Society.

Basis of consolidation

The consolidated financial statements include the financial information of the Society, its group companies and other entities over which it exercises control or whose central management it conducts. Group companies are entities over which the Society exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it has the power to govern. Potential voting rights that can be directly exercised at the balance sheet date are also taken into account.

Inter-company transactions, profits and balances among group companies and other consolidated entities are eliminated. Unrealised losses on inter-company transactions are also eliminated. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them with the prevailing group accounting policies. Group companies and other entities over which the Society exercises control or whose central management it conducts are consolidated in full. Minority interests in group equity and group net income are disclosed separately.

The Society is at the head of the group. In addition to the Society, the group includes the consolidated companies listed below:

- Oikocredit International Support Foundation, Amersfoort, the Netherlands
- Maanaveeya Development & Finance Private Limited, Hyderabad, India
- Finance Company Oikocredit Ukraine, Lviv, Ukraine (in liquidation)

As the income statement for 2020 of the Society is included in the consolidated financial statements, an abridged income statement has been disclosed in the Society financial statements in accordance with Section 402, Book 2, of the Netherlands Civil Code.

Related parties

All Oikocredit group companies mentioned above are considered to be related parties.

The support associations and the Oikocredit International Share Foundation (Share Foundation) are separate organisations established to support the worldwide work of Oikocredit.

The Share Foundation was established in 1995, in Amersfoort, the Netherlands, under Dutch law. The duration of the Share Foundation is unlimited. The main purpose of the Share Foundation is to provide investment opportunities in the Society for non-church bodies, development organisations and other organisations like banks, and individuals in countries where no support association exists offering investment opportunities in the Society. Members are also considered to be related parties. Significant transactions with related parties are disclosed in the notes insofar as they are not transacted at arm's length. The nature of, extent of

and other information about transactions are disclosed if this is required to provide a true and fair view.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities.

Comprehensive income statement

The comprehensive income statement shows the direct movements in the group equity and funds.

Estimates and judgements

The preparation of financial statements, in conformity with the relevant rules, requires the use of certain critical accounting estimates. It also requires the Society's Managing Board to exercise its judgement in the process of applying the group's accounting policies. If necessary for the purposes of meeting the requirements under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgements, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively, e.g. in the period in which the estimate is revised and in any future periods affected. The areas where estimates and judgments have the most significant impact are:

- Loan loss provision and impairments on equity investments
- Tax accrual
- Other provisions

2 Accounting policies for the balance sheet

General information

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The financial statements are denominated in euro. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes. These financial statements have been prepared under the going concern assumption. The Covid-19 crisis has affected our partners and therefore also the performance of Oikocredit, which resulted in a loss for the year 2020. Although the crisis is still ongoing the expectation for 2021 performance is positive. Based on the composition of the

balance sheet and more specifically the liquidity position the Society will continue as a going concern for the foreseeable future and will realise its objectives in the normal course of business.

Comparative figures

The accounting policies have been consistently applied to all the years presented.

Change in accounting estimate

The calculation of the loan loss provisioning comprises three layers. See paragraph *Provision and impairments for possible losses on development financing* below. During 2020 we extended our loan loss provision with a new category called 'payment holiday'. All partners that have requested a payment holiday fall under this category and are individually assessed on risk parameters. The impact of this change resulted in an additional loan loss provisioning of € 15.2 million as at 31 December 2020. As this change is considered a change in accounting estimate, the comparative figures will not be adjusted.

Foreign currencies

The euro is the functional and presentation currency of the Society. Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Foreign exchange (FX) gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement. Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions.

Assets and liabilities of consolidated foreign group companies denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at average exchange rates during the financial year. The cumulative exchange rate differences on investments in foreign group companies are kept in the restricted exchange fluctuation reserve.

Assets and liabilities

An asset or a liability is recognised in the balance sheet when the contractual rights or obligations in respect of that instrument arise. An asset or liability is no longer recognised in the balance sheet when there is a transaction that results in a transfer to a third party of all or substantially all of the rights to economic benefits and all or substantially all of the risks related to the position.

Fixed assets and depreciation

Fixed assets (both tangible and intangible) are stated at cost minus depreciation. Expenditure for additions, renewals and improvements are capitalised. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets. At each balance-sheet date, it is established whether there are any indications of fixed assets being subject to impairment. If any such indication exists,

the recoverable amount of the asset is determined. An asset is subject to impairment if its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Development financing

Receivables disclosed under development financing are valued at amortised cost.

Associates

Equity investments in companies in which the Society has significant influence but does not control (associates) are accounted for under the equity accounting method. Significant influence is normally evidenced when the Society has from 20% to 50% of a company's voting rights. In addition, the Society takes into consideration the factual circumstances, such as:

- the Society's involvement in the company's operational and/or strategic management by participation in its management, supervisory board or investments committee;
- the presence of material transactions between the Society and the company; and
- the Society making essential technical assistance available.

Under the equity accounting method the investments in associates are initially recorded at cost and the carrying amount is increased or decreased after the date of acquisition to recognise the Society's share of the investee's results or other results directly recorded in the equity of associates.

The Society operates in developing countries that may not have accounting standards and practices comparable to those in the Netherlands. Financial reporting may not always be comparable to the requirements of Part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. Inherent to this situation, the Society only accounts the associates according to the equity method if underlying financial data has been recently audited and prepared under internationally accepted accounting standards. If these criteria are not met, the Society records the associates at cost less impairment. The fair value is determined taking into account suitable valuation methods such as book value multiples, price-earnings ratios and recent sale prices of similar investments. In line with the accounting principles for equity investments, the impairment losses are included in the income statement.

Investments

Participating interests where no significant influence is exercised are stated at the lower of cost or realisable value. In case the Society has the intention to sell, then the participating interest is stated at the lower expected sales value. If the Society transfers an asset or a liability to a participating interest that is measured at cost or current value, the gain or loss resulting from this transfer is recognised directly and in full in the profit and loss account, unless the gain is in substance not realised.

Provision and impairments for possible losses on development financing

The Society's provision for possible losses is based on an evaluation of the risks of the current development financing

portfolio (loans and equity investments) in terms of present conditions. The calculation of the loss provision for loans comprises the following layers:

- A collective general provision for incurred but not yet identified losses at reporting date using historical loss data.
- A collective provision based on country ratings calculated for each country in which the partner is based, also considering the currency in which the loan is granted.
- If a partner is considered to be non-performing (see below for explanation of 'non-performing') due to overdue payments or other factors, the Society will account for a specific provision if the incurred loss is expected to exceed the collective provision for that partner. This provision is calculated based on the Society's management's risk assessment, the value of the collateral and experience with these kinds of partners. As mentioned in the section *Change in accounting estimates*, the loan loss provision category 'payment holiday' was established during 2020. This category falls under the specific provision. This category has been established due to the Covid-19 crisis. The partners that requested a payment holiday are individually assessed on seven risk criteria. Based on the outcome of the assessment a specific provision is determined and applied to the partner.

This provision for development financing risks is deducted from loans and interest outstanding at the balance sheet date. Write-offs are charged against this loss provision. Additions to or withdrawals from the provision for loan losses are recognised in the income statement.

Loans are generally written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Due to the nature of the Society's business, this assessment is carried out at homogeneous portfolio level and applied to the individual financial asset. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the income statement.

Loans that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

Non-performing partners are partners that are structurally in arrears, often with their loan in the process of being foreclosed.

In practice, all the equity investments (including investments in associates) are valued at cost less impairment. All equity investments are reviewed and analysed at least annually for indicators of impairment. An equity investment is considered impaired when the carrying amount exceeds the recoverable amount. The Society operates in countries where there is no active market for these equity stakes. The recoverable amount calculated as part of the impairment assessment is determined taking into account suitable valuation methods such as price-earnings ratios and recent sale prices of similar investments as far as these are available.

Other securities

The other securities are non-listed investments and are stated at cost less impairment. At each balance sheet date, it is established whether there are any indicators of the securities being subject to impairment. If any such indications exist, the recoverable amount of the security is determined. Transaction costs are expensed in the income statement if these are related to financial assets carried at fair value through profit or loss.

Term investments

The term investments that are listed on regulated markets are measured and recognised at fair value as these are not held to maturity. Changes in the fair value are charged directly to the income statement.

Transaction costs related to financial assets carried at fair value are expensed through the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and deposits held at call or with maturities up to one year. Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this is taken into account in the measurement.

Member capital

The Society issues shares in euro, British pounds, Canadian dollars, Swedish kronor, Swiss francs and United States dollars.

The shares shall be redeemed no later than five years after a redemption request has been submitted and are as such considered a liability (puttable shares). Redemption will be at the nominal value. However, if the net asset value per share is lower than the value stated in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet (Article 13 of the Articles of Association).

The Managing Board opted to make use of the exemption in RJ 290.808 of the Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP) to classify its member capital in both euro and foreign currencies as equity. The member shares are the most subordinated class of instruments issued by the Society. The Articles of Association of the Society provide the same terms and conditions to the Society's holders and no preferential terms are provided, irrespective the currency denomination. This means that the Society shares are identical in subordination. The foregoing also applies in the event of dissolution of the Society. As such, all instruments are presented as equity in the consolidated financial statements. Where the Society repurchases shares, the consideration paid is deducted from equity (member capital). Where such membership shares are issued, any consideration received is included in equity (member capital).

Provisions

The restructuring provision is a specific provision that consists of anticipated severance payments and other costs that are

directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or constructive obligation to make the payment arises. No provision is formed for costs or future operating losses stemming from continuing operations.

The Society recognises severance payments if the Society has demonstrably committed itself to:

- the termination of the employment contracts of current employees in accordance with an announced detailed formal plan without the option of the plan being withdrawn; or
- the payment of termination benefits as a result of an offer to encourage voluntary redundancy that cannot be withdrawn.

Provisions are measured at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

Pensions

The Society has pension plans to which the conditions of the Dutch Pension Act are applicable. The pension plan is a defined contribution plan with a.s.r. (Amersfoortse and Stad Rotterdam). The Society pays premiums to a.s.r. on a monthly basis. Premiums are recognised as personnel costs when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

Non-current liabilities

Borrowings are initially recognised at fair value, with net transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs.

Financial instruments

Listed securities (part of the term investments) included in financial and current assets are stated at fair value. All other financial instruments are carried at (amortised) cost, which usually equals face value, unless stated otherwise. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that represents substantially the same discounted cash flow; and option pricing models, making allowance for entity-specific inputs.

Derivative financial instruments

Derivatives are financial instruments embodied in contracts. The derivative's value depends on one or more underlying assets or indices.

Derivative financial instruments are stated at cost or lower market value. For derivative contracts concluded to mitigate

currency risks the Society has applied cost price hedge accounting. The Society has documented the relationship between hedging instruments and hedged items. The Society also tests its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. The Society has no derivative financial instruments embedded in contracts.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- If the hedged item is recognised at cost in the balance sheet, the derivative instrument is also stated at cost.
- If the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate on the balance sheet date.
- If the derivative instrument has currency elements, the difference between the spot rate (on the date the derivative instrument is contracted) and the forward rate (at which it will be settled) is spread over the maturity of the derivative instrument.

The ineffective portion of the hedge is recognised directly in the income statement.

3 Accounting policies for the income statement

General information

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

Income and expense recognition

Income from investments, expenses, outstanding project funding, management fees and time deposits are recognised on an accrual basis. For non-performing partners, the Society assesses on a case-by-case basis if interest should be accrued or invoiced.

Transactions within the Society and equity investees that do not classify as group companies are recognised directly and in full in the consolidated income statement when they result in a gain or loss. Dividends of equity investments that are carried at cost are recognised as income from equity investments in the period in which the dividends become payable.

Finance income and expenses

Interest paid and received is recognised on an accrual basis, taking into account the effective interest rate of the assets and liabilities concerned.

Grant contributions

Designated grants are included as income in the year in which such grants are realised.

Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the income statement in the period that they arise, unless these monetary items are designated as hedges.

Short-term employee benefits

Salaries, wages and social security contributions are included in the income statement based on the employee's terms of employment, when these are due to employees.

Pensions

For its pension plan for employees in the Netherlands, in 2020 the Society paid contributions to the insurance company a.s.r. Contributions are recognised as expenses when incurred. Prepaid contributions are recognised as prepayments and accrued income to the extent that this will lead to a reduction in future payments or a cash refund.

The pension scheme is a conditionally indexed, average-salary scheme. Entitlements and rights granted for inactive members are indexed (adjusted in line with increases in prices) based on the Consumer Price Index (CPI). For active members, indexation is decided upon each year by the Managing Board. In recent years, the collective labour agreement salary index (*CAO loonindex*) supplied by Statistics Netherlands (CBS) has been used as a reference.

The main provisions of the agreement are:

- The Society pays a certain percentage over the pensionable salary. The percentage paid depends on the age of the employee.
- There are no specific agreements relating to reduction or refund of contributions.
- The pension contribution for the employee is voluntary. According to Dutch Law, the advised optimal pension is 75% of the sum of one's average annual salary on a year-by-year basis. In order to reach this optimal pension, an additional contribution of 3.35% is advised.

The former pension scheme with Nationale Nederlanden is a conditionally indexed scheme. For inactive and active members, indexation is decided upon each year by the Managing Board with consent from the Works Council. In 2020 it was decided not to index for 2019.

For employees outside the Netherlands, contributions to pension schemes are paid as per local legal requirements. In addition, employees outside the Netherlands receive a monthly payment for use towards their pensions.

Taxes

The Society is liable to corporate income tax in the Netherlands at a rate of 25%, with an initial rate of 16.5% for the first € 200,000 of taxable income. No tax has to be withheld on dividends distributed by the Society to its members. The growth of the organisation in past years led the Society to thoroughly review its operational set up in the countries where it has offices, to ensure that there is a structure in place to pay the Society's fair share of taxes. An amount has been included in the Society's liabilities for possible tax payments relating to previous years.

4 Accounting policies for the cash flow statement

The consolidated cash flow statement shows the sources of liquidity that became available during the year and the application of this liquidity. The liquidity is measured by the balance sheet account 'cash and banks'. The cash flows are broken down according to operating, investing and financing activities. The cash flow statement is prepared using the indirect method.

Cash flow from operating activities

The net cash flow from operating activities includes the portfolio movements, such as loans and equity investments. The net cash flow further includes the movements in receivables and current liabilities.

Cash flow from investing activities

The net cash flow from investing activities includes the movements in the term investment portfolio and tangible fixed assets.

Cash flow from financing activities

The net cash flow from financing activities includes movements in the funding attracted from member capital and received loans.

5 Risk management

Organisation

Three lines model

As an organisation, the Society applies a three lines model (also known as a three lines of defence model) in order to ensure that staff are aware of their role with respect to the management of risks. In this model, the business departments and offices act as the first line and are responsible for adhering to processes and internal controls suitable for managing the risks inherent to their activities and operations.

The Society assigns the responsibility of ensuring that relevant risks are properly identified and monitored to the Portfolio & Business Control unit (part of the Integrated Reporting & Control department, reporting to the Director of Finance & Risk). Acting in coordination with the other units bearing second line responsibilities, such as the Legal & Compliance unit, the Portfolio & Business Control unit also assesses the adequacy of the internal control environment and whether sufficient risk-mitigation procedures are in place within the first line of defence to manage the relevant risks.

Internal Audit, as the third line, provides independent and objective assurance on the governance processes, internal controls and risk management systems, including the effectiveness of the internal controls within the first and second lines. Financial assurance is out of scope as for this the Society relies on an external, 'Big Four' audit firm.

Risk governance

The Society maintains a formalised Risk Management & Governance Framework for the risk management activities and responsibilities within the organisation.

The framework covers the following risk categories:

| |
|----------------------------|
| Financial risks |
| • Credit |
| • Equity |
| • FX |
| • Interest rate |
| • Counterparty |
| • Liquidity |
| Non-financial risks |
| • Operational |
| • Compliance |
| • Reputational |
| Strategic risks |
| • Business model |
| • Operating model |
| • Regulatory |

The framework also comprises the structure and functioning of the Society's risk committees, which the organisation relies on for testing and assessing its internal control environment and monitoring relevant risks. The Society has the following risk committees in place for overseeing the financial and non-financial risk categories outlined in the table above:

- Asset-Liability Committee (ALCO), whose members are the Director of Finance & Risk (chair), the Portfolio & Business Control Manager (vice-chair), the Director of Investments, the Investor Relations Manager, the Corporate Treasurer, the Business Controller and the Financial Risk Analyst. The purpose of this committee is to monitor asset and liability management within the Society, and in particular the FX, interest rate, counterparty and liquidity risk. The ALCO meets monthly.
- Non-Financial Risk Committee (NFRC). The members of the committee are the Director of Finance & Risk (chair), the Director of IT & Operations (vice-chair), the Investments Operations Officer, the Equity Portfolio Specialist, the Global Social Performance Specialist, the IT Applications & Infrastructure Manager, the HR Manager, the General Counsel, the Compliance Officer, the Investor Relations Manager, the Communications Manager, the Portfolio & Business Control Manager, the Operations Manager and the Operational Risk Analyst. The purpose of the NFRC is to ensure the efficient and effective management of the operational, compliance and reputational risks throughout the Society, in support of the strategy and in line with the risk appetite and the related governance, risk and control framework.
- Portfolio Risk Committee (PRC). The members of this committee are the Director of Finance & Risk (chair), the Director of Investments (vice-chair), the Director of Social Performance Innovation, the Investments Operations Officer, the Equity Portfolio Specialist, the Portfolio & Business Control Manager, the Integrated Investments Analysis Manager and the Senior Integrated Investments Analyst. The purpose of this committee is to ensure the efficient and effective management of the total risk in the development financing portfolio throughout the Society,

in support of the strategy and in line with the risk appetite and the related governance, risk and control framework.

In addition to the risk committees, there are two product review committees, one for outflow products (Outflow Product & Process Committee – OPPC) and one for inflow products (Inflow Product & Process Committee – IPPC). In these committees, first and second line functions review product and process changes and make recommendations for decisions to change existing products or processes or to create new products.

Financial risk

Credit risk

Credit risk is defined as the risk that the Society does not receive back the outstanding amounts, as well as other obligations (e.g. interest payments, fees), from a partner due to the latter's deteriorated ability to service its debt. Credit risk includes all potential reasons why a partner cannot repay, including changes in economic or political circumstances in the country where the partner is located or operates; changes in the risks in the business activities of the partner; and risks of changing conditions for its business activities (e.g. the effect of changing regulations, changes in climate and environment). The risks of non-repayment can also stem from specific partner circumstances and actions, such as business malpractice or even fraud.

Most Society counterparties are partners and therefore the risk that they default on a loan is considered credit risk. For all other counterparties, such as banks or financial institutions that provide financial services to the Society, the risk of non-repayment is described as counterparty risk.

Assessing credit risk can be considered at the core of the Society's activities. A solid risk assessment of a partner's business activities is of mutual interest, as it helps both the Society and the partner align on creating social impact in a financially sound way and with a longer-term perspective.

In order to assess the potential losses arising from the credit risk exposure, the Society approaches the measurement in a historical perspective and based on the commonly used expected loss (EL) formula, $EL = PD \times LGD \times EaD$, the factors of which are explained in more detail below.

Probability of default (PD)

The Society has established standards to assess the creditworthiness of a partner by estimating the probability of a partner's default with a model called project viability rating (PVR). The PVR measures several aspects of business soundness and financial stability.

Loss given default (LGD)

The Society estimates LGD by taking the historical average recoveries (the amounts collected on defaulted loans either because of the migration of the partner back to performing or after debt collection activities have been carried out) that have been achieved on the total overall portfolio over the last five years. Risk mitigants like external guarantees are also considered and the credit risk pricing and provisions are adjusted accordingly.

Exposure at default (EaD)

The EaD is the last known capital outstanding of the same instrument without adjustments.

The Society's Managing Board Credit Committee, consisting of the Managing Director, Director of Investments, Director of Finance & Risk, and Director of Social Performance Innovation, approves loan proposals. At least three members of this committee, representing the three core lines of expertise (Investments, Risk and Social Performance) must be present at the meeting to constitute a valid quorum. For specific discussion on engagements and other proposals, the following attendees are also part of the committee: Regional Director, Senior Investment Officer or Investment Officer, Global Social Performance Specialist, Special Collections Manager, Integrated Investments Analysis Manager, and Integrated Investments Analyst (who acts as secretary of the committee).

The Managing Board Credit Committee works alongside the Integrated Investments Analysis Credit Committee (IIA Credit Committee), to which the discussion of some low risk and low exposure proposals is delegated (for example, repeated and new financial inclusion partner proposals with project viability risk (PVR) of less than or equal to 25% and exposure of less than or equal to € 3 million; or repeated agriculture partner proposals with PVR of less than or equal to 30% and exposure of less than or equal to € 2 million).

To ensure a good spread of the investment portfolio and reduce exposure to concentration risk and to intrinsic credit risk, the Society has established policies based on its risk assessment system to set limits in exposure related to amounts outstanding:

- Per country and per region (geographical diversification)
- Per asset class (asset class diversification)
- Per business sector (sector diversification)
- Per partner (single borrower diversification)
- To a group of companies (holdings diversification)

The adherence to these limits is monitored on a periodic basis by the risk management function and the Portfolio Risk Committee.

| 2020 gross credit exposure | | | | | | |
|-------------------------------|---------------------|----------------|------------------|--------------|----------------|-------------|
| <i>As at 31 December 2020</i> | | | | | | |
| | Financial inclusion | Agriculture | Renewable energy | Other | Total | |
| Region | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | % |
| Africa | 84,304 | 29,144 | 6,816 | 3,185 | 123,449 | 17.6% |
| Asia | 164,512 | 3,970 | 15,974 | 303 | 184,758 | 26.4% |
| South America | 162,747 | 43,524 | - | 2,552 | 208,822 | 29.8% |
| Central America | 118,898 | 26,320 | 9,452 | 241 | 154,911 | 22.1% |
| Other | 24,773 | 1,750 | 1,000 | 593 | 28,118 | 4.0% |
| Total | 555,234 | 104,708 | 33,242 | 6,874 | 700,058 | 100% |
| % | 79.3% | 15.0% | 4.7% | 1.0% | 100% | |

| 2019 gross credit exposure | | | | | | |
|-------------------------------|---------------------|----------------|------------------|--------------|----------------|-------------|
| <i>As at 31 December 2019</i> | | | | | | |
| | Financial inclusion | Agriculture | Renewable energy | Other | Total | |
| Region | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | % |
| Africa | 123,627 | 28,290 | 3,280 | 3,630 | 158,827 | 17.2% |
| Asia | 244,958 | 6,867 | 19,177 | 211 | 271,213 | 29.5% |
| South America | 216,782 | 58,396 | 5,179 | 4,447 | 284,804 | 30.9% |
| Central America | 130,062 | 30,391 | 11,359 | 1,042 | 172,854 | 18.8% |
| Other | 28,561 | 3,064 | 1,000 | 532 | 33,157 | 3.6% |
| Total | 743,990 | 127,008 | 39,995 | 9,862 | 920,855 | 100% |
| % | 80.8% | 13.8% | 4.3% | 1.1% | 100% | |

The total development financing credit portfolio in the table above does not reconcile with the loan portfolio as disclosed in Note 8. The difference is caused by a financial lease construction regarding solar panels, which are classified as fixed assets in the balance sheet. It is added to the table above as the leasing agreements are subject to credit risk. Next to this the tables do not include committed-not-yet-disbursed amounts (projects that are approved with conditions set are also part of committed-not-yet-disbursed), which as at year-end 2020 amounted to € 147.1 million (2019: € 207.0 million).

Non-performing loans – portfolio at risk over 90 days (PAR 90)

As part of managing credit risk, the Society closely monitors the financial performance of the portfolio of credit instruments generated. A PAR 90 ratio reflects the credit products showing overdue amounts for more than 90 days. This ratio is considered a key indicator for assessing the non-performing portfolio and the general health of the development financing credit portfolio. The ratio is assessed at country and sector levels in order to support the active credit portfolio management corrective actions. The PAR 90 (excluding payment holiday partners) was 5.8% as at 31 December 2020 (2019: 5.4%).

While a general provision is charged by default to all the credit instruments generated, usually loans more than 90 days overdue and rescheduled loans have a provision applied that is calculated based on factors such as the individual partner's situation or available collateral. The relevant exposures (financial inclusion partners larger than € 1 million and partners larger than € 500,000 from other sectors) are then further analysed with the support of the Special Collections unit in order to understand if the quantitative specific provisioning is fairly reflecting the potential losses or if manual adjustments are needed. The specific provisions are reviewed each quarter.

During 2020 the Society found itself facing the side effects of the Covid-19 pandemic on the repayment behaviour of some of its partners. As a consequence the Society in order to bolster these partners' business continuity and in line with the actions undertaken by several governments on a regulatory perspective has granted them the possibility to ask for a payment moratorium below referred as 'payment holiday'. The standard provisioning procedures were not suited for this particular payment status category hence potentially leading to an underestimation of the expected losses arising from credit risk. For this reason an ad-hoc procedure for assessing the provisioning levels was developed in 2020 and applied to all the instruments that are comprised in the payment holiday category.

| Overview of credit portfolio at risk (PAR) split and overdue receivables | | | | |
|---|----------------|---------------|----------------|---------------|
| <i>As at 31 December</i> | 2020 | | 2019 | |
| | € ,000 | % | € ,000 | % |
| On time | 503,571 | 71.93% | 821,813 | 89.2% |
| Payment holiday | 136,443 | 19.49% | - | 0.0% |
| PAR 1-30 | 17,777 | 2.54% | 35,685 | 3.9% |
| PAR 31-90 | 1,947 | 0.28% | 13,945 | 1.5% |
| PAR 91-180 | 4,291 | 0.61% | 10,171 | 1.1% |
| PAR 181-360 | 8,366 | 1.20% | 5,843 | 0.6% |
| PAR > 360 | 27,663 | 3.95% | 33,394 | 3.6% |
| Total | 700,058 | 100.0% | 920,851 | 100.0% |

Country risk and concentration

Country risk arises from country-specific events that have an impact on the exposure in a specific country, such as those of a political or macroeconomic nature. All investments entail the acceptance of some degree of country risk, but to limit this risk exposure, the Society has developed an exposure limits system that is also a function of the sovereign risk assessment of the countries in the investment portfolio, for which an external rating provider is used. A newly revised version of the exposure limits system was implemented at the end of 2020 and will replace the previous model going forward.

The sovereign risk assessment is then also used to determine a collective provision based on country risk, which adds a forward-looking component to the provisioning process for expected credit losses. The forward-looking component is made up of the average expected loss that would be charged to the sovereign for each rating grade.

Country risks are mitigated through diversification of the geographical distribution of the portfolio across a number of countries and higher than average exposure only in top quartile countries according to their sovereign ratings and the risk adjusted return of the country's portfolio. For country risk, the Society uses sovereign ratings as assessed by IHS Markit.

| Gross development financing portfolio exposure grouped by sovereign rating | | | | | | |
|---|-------------------|-----------------------|----------------|---------------|------------------|---------------|
| <i>As at 31 December</i> | | | 2020 | | 2019 | |
| Sovereign rating | | | € ,000 | % | € ,000 | % |
| AAA | Investment grade | Prime | - | 0.0% | - | 0.0% |
| AA | Investment grade | High grade | - | 0.0% | - | 0.0% |
| A | Investment grade | Upper medium grade | - | 0.0% | - | 0.0% |
| BBB | Investment grade | Lower medium grade | 280,805 | 33.1% | 334,838 | 31.3% |
| BB | Speculative grade | Speculative grade | 243,233 | 28.6% | 343,837 | 32.1% |
| B | Speculative grade | Highly speculative | 167,508 | 19.7% | 320,568 | 30.0% |
| CCC | Speculative grade | Extremely speculative | 157,728 | 18.6% | 70,270 | 6.6% |
| CC | Speculative grade | Imminent default | - | 0.0% | - | 0.0% |
| D | Speculative grade | In default | - | 0.0% | - | 0.0% |
| Total ¹ | | | 849,274 | 100.0% | 1,069,513 | 100.0% |

¹ The totals include the financial lease construction regarding solar panels and guarantees that are treated differently from an accounting perspective. These totals are therefore different from the total development financing portfolio presented in the consolidated balance sheet and notes.

Due to the Society's commitment to financing partners in emerging and frontier markets, the degree of country risk to which the portfolio is exposed is skewed towards being speculative grade. However, the granularity of the portfolio (i.e. its diversification across a wide variety of assets) within each country helps mitigate exposure to actual default risk.

In the table below the development financing portfolio is presented based on exposure per country. The largest 10 countries based on exposure constitute around 62% of the total portfolio. The level of granularity for country exposure is relatively high, with the only notable exception being India, which is one of the highest rated countries in the portfolio.

| Development financing portfolio - top 10 countries exposures | | | | | | | | | | | |
|---|------|----------------|---------------|-------------------------|------|------------------|---------------|-------------|--|--|--|
| <i>As at 31 December</i> | | | | 2020 | | | | 2019 | | | |
| Sovereign rating | | € ,000 | % | Sovereign rating | | € ,000 | % | | | | |
| India | BBB | 147,068 | 17.3% | India | BBB | 177,839 | 16.6% | | | | |
| Mexico | BBB+ | 55,685 | 6.6% | Ecuador | B- | 79,596 | 7.4% | | | | |
| Bolivia | CCC+ | 54,898 | 6.5% | Cambodia | BB- | 67,572 | 6.3% | | | | |
| Multinational | BB | 51,912 | 6.1% | Bolivia | B+ | 60,620 | 5.7% | | | | |
| Ecuador | CCC+ | 51,578 | 6.1% | Multinational | BB | 57,771 | 5.4% | | | | |
| Cambodia | BB- | 40,869 | 4.8% | Mexico | BBB+ | 53,447 | 5.0% | | | | |
| Paraguay | BB+ | 37,952 | 4.5% | Paraguay | BB+ | 52,658 | 4.9% | | | | |
| Kenya | B+ | 33,626 | 4.0% | Argentina | CCC+ | 36,781 | 3.4% | | | | |
| Honduras | BB- | 31,009 | 3.7% | Honduras | BB- | 33,188 | 3.1% | | | | |
| Indonesia | BBB- | 25,175 | 3.0% | Kenya | B+ | 32,796 | 3.1% | | | | |
| Total | | 529,772 | 62.68% | | | 652,268 | 60.99% | | | | |
| Total portfolio ² | | 849,274 | 100.0% | | | 1,069,513 | 100.0% | | | | |

² The totals include the financial lease construction regarding solar panels and guarantees that are treated differently from an accounting perspective. These totals are therefore different from the total development financing portfolio presented in the consolidated balance sheet and notes.

Credit risk in term investments

In order to enhance the return from the liquidity that is required by the type of business, the Society currently has an open investment mandate with AXA Investment Managers Paris. The investment management agreement (IMA) contains clear limits and guidelines for the asset manager in order to define the asset allocation. Due to the liquid nature of this portfolio, this is managed with clear exclusion limits both from an environmental, social and governance (ESG) perspective as well as a credit risk perspective. Outlined below are the main exclusion parameters for credit risk quality:

- Issuer credit quality allocation limits
 - At least 30% of the portfolio invested in issuers with a credit rating of high quality investment grade (from AAA to A)
 - A maximum of 65% of the portfolio shall be invested in the lower investment grade range (BBB)
 - A maximum of 10% of the portfolio shall be invested in equity instruments (note that this limit is currently not used)
- Issuer concentration limits
 - A maximum of 5% of the portfolio for government or semi-government issuers
 - A maximum of 2.5% of the portfolio for prime and/or high quality investment grade (from AAA to AA) issuers
 - A maximum of 1.75% of the portfolio for upper-medium grade (A) issuers
 - A maximum of 1.5% of the portfolio for lower-medium grade (BBB) issuers

The measures that the Society takes to ensure that asset managers show high ESG standards in their own operations include selection criteria such as:

- The Society will employ an ESG rating system from a reputable ESG rating company to rank asset managers.
- The Society gives preference to asset manager(s) ranking in the top 50% of ESG practices in their sector.
- The Society gives preference to managers providing transparency in their active engagement and voting activities.
- The Society will engage with an asset manager that is flexible, in the sense that the asset manager must implement our demands regarding the ESG criteria and not only apply its own discretionary framework for negative screening.

Risk management periodically monitors the compliance of the asset manager to the limits set in the IMA. Presented below is an overview of the portfolio according to the credit quality of the instruments.

| Credit quality of term investments | | | 2020 | | 2019 | |
|------------------------------------|------------------|--------------------|----------------|----------------|----------------|----------------|
| As at 31 December | | | € ,000 | % | € ,000 | % |
| AAA | Investment grade | Prime | - | 0.00% | 518 | 0.40% |
| AA | Investment grade | High grade | 14,701 | 8.42% | 17,822 | 13.73% |
| A | Investment grade | Upper medium grade | 63,532 | 36.39% | 28,153 | 21.69% |
| BBB | Investment grade | Lower medium grade | 90,213 | 51.67% | 75,770 | 58.38% |
| NR - not rated | | | 6,137 | 3.52% | 7,517 | 5.79% |
| Total | | | 174,583 | 100.00% | 129,780 | 100.00% |

Counterparty risk

Counterparty risk constitutes the risks run by the Society in its positions with banks (not being partners) that are functional to the deployment of the main investment activity. This can be defined as the change in creditworthiness or even the risk of default on the contractual obligations of the Society's bank counterparties.

Examples of this type of risk exposure can be found behind the hedging transactions that have a positive market value for the Society (i.e. FX hedges), and behind bank deposits and accounts, especially for banks in frontier and emerging markets.

As this is a minor risk exposure for the Society and incidental to the development of its business activity, the exposure to this risk is mitigated as much as possible by the establishment of solid contracts with the bank counterparties (i.e. contracts that include an International Swaps and Derivative Association (ISDA) Master Agreement and credit annexes (CSA)), and by diversifying the cash and deposit exposure over several counterparties with high credit ratings and preferably located in developed markets.

For cash management, including short-term investments in deposits and credit-equivalent exposures from derivatives, there are criteria for the selection of the counterparties. A financial counterparties policy is in place to arrange the Society's exposure with financial counterparties on the basis of their creditworthiness, ESG and service level criteria for contracting counterparties. The credit rating of any of the Society's bank counterparties should be at least investment grade (i.e. BBB+ or better, as measured by major rating agencies). For each rating bucket an explicit limit is specified in order to avoid excessive exposure to low-rated counterparties.

ESG screening is done consistently for all bank counterparties. Any bank counterparty must have a Sustainalytics ESG percentile rank of 50 or above according to Bloomberg.

An exception to the cash management approach can be made if a local currency bank account needs to be opened in a country where no bank exists that fulfils all the criteria mentioned above. The amounts kept in these bank accounts must be minimal and never exceed the equivalent of € 1 million.

All these rules and limits for the management of counterparty risk are comprised in an internal, counterparty risk management policy, which is endorsed by the ALCO and approved by the Managing Board. It is a responsibility of the ALCO to approve new financial counterparties, on the basis of an analysis by the Treasury unit and an assessment by the Social Performance Innovation department.

Equity risk

Equity risk can be defined as the risk of financial losses involved in holding a particular equity stake. This includes the risk that the value of the stake would struggle to generate an appropriate, financial risk-adjusted return, especially taking into account the implicit illiquidity of the participation that can arise if no buyer can be found to finance the exit from the investment. A participation could also generate a long-term loss due to the deterioration of the partner's financial and business conditions.

Equity investments have different risk characteristics compared to loans. The investment lock-up period is usually longer (around ten years) and the equity stakes do not generate steady cash flows (i.e. dividends).

In order to mitigate equity risk in the first line of defence, all individual investment proposals (equity and equity-related products) are assessed by specialist Equity team members in the countries in which the Society works, as well as by the Equity team members in the central office in Amersfoort. The assessment involves an extensive due diligence process and investment proposals must meet predefined criteria. Strengths, weaknesses, opportunities and threats (SWOT) analyses are made and management, financial, legal and social performance analyses take place.

The Society's Investment Committee consists of the Managing Director, the Director of Finance & Risk and the Director of Investments as voting members, plus an external independent equity advisor as a non-voting member. (In the absence of the Director of Finance & Risk, a representative of the Risk function attends as a substitute. If any the other voting members cannot attend, they are replaced by the Director of Social Performance Innovation.) The quorum for the Investment Committee is three voting members.

The Investment Committee works in tandem with the Equity Investment Committee, which consists of the Equity Director and another representative from the Investments Department. The Equity Investment Committee has the authority to reject a new proposal from the Equity unit or put it forward for independent analysis by the Integrated Investments Analysis unit prior to review by the Investment Committee. The Equity Investment Committee also has delegated authority to decide on matters such as the decrease or cancellation of investment amounts for existing investments. Such decisions by the Equity Investment Committee are documented by an independent back-office function and shared with the Investment Committee once a quarter. The Investment Committee retains authority over decisions related to existing investments which fall out of the scope

of the Equity Investment Committee's delegated authority, as well as over any new investments (with the exception of large exposure investments, which are escalated to the Supervisory Board).

The equity risk mitigation entails an asset class exposure limit on the overall portfolio. This is currently set at around 15% of the total investable capital.¹⁵ A proactive control of the current and prospective financial performance of the equity investment portfolio, the latter based on the internal fair value estimates performed on each equity stake, is also performed in order to set risk management guidelines and positively influence the active equity asset allocation. Below the gross exposure of the equity investment portfolio, at acquisition price, is presented.

¹⁵ The Society's total investable capital is equal to total assets minus the target liquidity ratio.

| 2020 equity exposure | | | | | | |
|-------------------------------|---------------------|---------------|------------------|--------------|----------------|---------------|
| <i>As at 31 December 2020</i> | | | | | | |
| | Financial inclusion | Agriculture | Renewable energy | Other | Total | |
| Region | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | % |
| Africa | 6,282 | 14,889 | - | 2,281 | 23,451 | 15.7% |
| Asia | 25,036 | 17,541 | 7,061 | - | 49,638 | 33.3% |
| South America | 29,597 | 175 | 5,393 | - | 35,166 | 23.6% |
| Central America | 15,584 | 5,366 | - | - | 20,950 | 14.0% |
| Other | 9,965 | 6,001 | 3,877 | 167 | 20,010 | 13.4% |
| Total | 86,464 | 43,972 | 16,331 | 2,448 | 149,215 | 100.0% |
| % | 57.9% | 29.5% | 10.9% | 1.6% | 100.0% | |

| 2019 equity exposure | | | | | | |
|-------------------------------|---------------------|---------------|------------------|--------------|----------------|---------------|
| <i>As at 31 December 2019</i> | | | | | | |
| | Financial inclusion | Agriculture | Renewable energy | Other | Total | |
| Region | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | % |
| Africa | 6,542 | 14,889 | - | 2,967 | 24,398 | 16.4% |
| Asia | 24,806 | 17,267 | 7,008 | - | 49,081 | 33.0% |
| South America | 26,388 | 175 | 5,393 | - | 31,956 | 21.5% |
| Central America | 14,040 | 5,366 | - | - | 19,406 | 13.1% |
| Other | 11,211 | 7,566 | 4,010 | 1,035 | 23,822 | 16.0% |
| Total | 82,987 | 45,263 | 16,411 | 4,001 | 148,663 | 100.0% |
| % | 55.8% | 30.4% | 11.0% | 2.7% | 100.0% | |

Note that these tables do not include committed-not-yet-disbursed amounts (committed-not-yet-disbursed includes investments that are approved with conditions), which for 2020 was € 11.2 million (2019: € 25.4 million). The tables also do not include impairments. Impairments amounted to € 1.1 million in 2020 (2019: € 13.8 million). The dividend received in 2020 amounted to € 2.2 million (2019: € 2.0 million). The results from the sale of equity stakes amounted to a € 2.9 million loss (2019: € 6.1 million gain).

Foreign currency (FX) risk

FX risk is defined as the risk that the value of the Society's active investments will fluctuate due to changes in foreign currency exchange rates compared to the Society functional currency.

Although the functional currency of the Society is the euro, a significant part of the Society's investments in development financing is outstanding in United States dollars and in other domestic currencies (emerging and frontier currencies). In addition to euro shares, the Society also issues shares denominated in British pounds, Canadian dollars, Swedish krona, Swiss francs and United States dollars.

The net foreign currency position of the Society is monitored by the risk management function throughout the year, in order to steer the offsetting FX hedging portfolio and bring the overall FX position in line with the FX risk appetite established in the Society's FX risk management policy.

In the overview below, the positions as at 31 December 2020, translated to euro at the exchange rates prevailing at the balance sheet date, are presented. FX exposures arising from equity participations are not taken into account, hence not hedged, due to the relatively small cash flow generated by this exposure.

| Foreign currency exposure - net foreign currency asset positions | | | | | | | |
|--|------------------------|----------------|---------------|---------------|-------------------|----------------|----------------|
| <i>As at 31 December 2020</i> | | | | | | | |
| | | FX gross | FX cash | FX LLP | FX member capital | FX hedging | Net foreign |
| | | credit assets | | | + FX liabilities | | currency |
| | | | | | | | asset exposure |
| | | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 |
| XOF | West African CFA franc | 27,284 | 22,438 | 2,226 | - | 29,106 | 18,389 |
| PHP | Philippine peso | 1,123 | 3,897 | 617 | - | - | 4,402 |
| BRL | Brazilian real | 15,678 | - | 1,696 | - | 9,714 | 4,267 |
| IDR | Indonesian rupiah | 20,474 | 4,494 | 3,071 | - | 18,751 | 3,146 |
| NGN | Nigerian naira | 5,650 | 279 | 764 | - | 2,027 | 3,137 |
| ZAR | South African rand | 2,492 | 1,330 | 209 | - | 1,004 | 2,609 |
| ZMW | Zambian kwacha | 2,899 | - | 512 | - | - | 2,386 |
| KES | Kenyan shilling | 8,537 | 3,162 | 731 | - | 8,956 | 2,013 |
| KHR | Cambodian riel | 970 | 973 | 21 | - | - | 1,922 |
| UGX | Ugandan shilling | 6,671 | 1,184 | 926 | - | 5,043 | 1,886 |
| Other | | 578,593 | 24,777 | 60,576 | 26,456 | 524,543 | (8,205) |
| Total | | 670,370 | 62,534 | 71,349 | 26,456 | 599,145 | 35,954 |

| Foreign currency exposure - net foreign currency liability positions | | | | | | | |
|--|-----------------|---------------|--------------|------------|-------------------|-----------------|--------------------|
| <i>As at 31 December 2020</i> | | | | | | | |
| | | FX gross | FX cash | FX LLP | FX member capital | FX hedging | Net foreign |
| | | credit assets | | | + FX liabilities | | currency liability |
| | | | | | | | exposure |
| | | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 |
| CHF | Swiss Franc | - | 694 | - | 67,773 | (68,816) | 1,737 |
| CAD | Canadian dollar | - | 186 | - | 5,914 | (6,445) | 717 |
| GBP | British pound | 592 | 142 | 357 | 11,549 | (10,560) | (612) |
| SEK | Swedish krona | - | 449 | - | 10,887 | (8,684) | (1,754) |
| Total | | 592 | 1,470 | 357 | 96,122 | (94,505) | 88 |

These tables include the net foreign currency exposure in loans (loans minus loss provisioning), cash and deposits, hedging contracts, member capital and liabilities in foreign currencies.

The Society's exposure to foreign currency risk is assessed through a value at risk (VaR) estimation model. The VaR figure obtained is then compared with the value of 1% of the Society's totals assets, which represents the Society's FX risk appetite. The excess exposure that could generate an unbearable result compared to the level of reserves held to bear FX results is hedged externally with FX derivatives through selected counterparties.

At reporting date, the Society is experiencing issues in converting and repatriating capital from West Africa. This is visible in the high level of XOF cash reported in the foreign currency assets table above. The Society is working on solving the issue and has approached the Central Bank (BCEAO) and the Ministry of Finance of the monetary area.

| Sensitivity of member capital to main foreign currency | | |
|---|--------------------------------------|--------------------------------------|
| <i>Change of value to the euro</i> | 2020 | 2019 |
| | Sensitivity of member capital | Sensitivity of member capital |
| | € ,000 | € ,000 |
| USD value increase of 1.0% | (220) | 293 |
| USD value decrease of 1.0% | 220 | (293) |

Due to the increased hedging position net income is less volatile and the sensitivity of the nominal value of the shares to changes in the euro-United States dollar exchange rates has decreased.

Transfer and conversion risk

There are two subtypes of FX risk to which the Society is inevitably exposed in its investment activity: transfer and conversion. Transfer risk is the risk that the proceeds cannot be repatriated to the Netherlands. Conversion risk is the risk that proceeds generated in local currency cannot be converted into euro. Often these two types of risk are the by-product of the capital controls to which most emerging and frontier countries are exposed. These two risks can become material especially in the case of actual or potential sudden capital outflows that could put the financial systems of these countries at risk.

Geographical diversification of the portfolio is key for the Society in limiting the potential disadvantages that these two risks can generate, especially in terms of liquidity. The materiality of these risks for each country is assessed by the Treasury unit on a day-to-day basis and by the risk management function on a long-term basis and is reported to the ALCO on a periodical basis.

Interest rate risk

Interest rate risk is the risk arising from movements in interest rate environments (both for hard and local exposures) that affect the value of the portfolio and the income statement.

Euro interest rate risk

One of the main sources of interest rate risk for the Society arises from exposure to the euro, resulting in fluctuations in net interest income and value due to changes in the European interest rate environment. Exposure to euro interest rates is mainly synthetically generated by the Society through the FX and interest rate derivatives instruments that are used to hedge the underlying development financing loan portfolio. Another source of exposure to this risk arises from the liquidity buffer of the company. The euro term investment portfolio has a duration of four years, and cash and deposits have a duration of not more than three months. As a weighted average, the euro assets of the Society have a duration of 0.85 years, hence synthetically exposing the company to the fluctuations of the short-term European money market benchmark, the Euro Interbank Offered Rate (Euribor). In 2020 the six-month Euribor averaged -0.40%. The Society does not aim to synthetically create euro interest rate duration (through pure interest rate derivatives), but rather accepts the exposure to the short-term European money market benchmarks.

United States dollar interest rate risk

The United States dollar credit exposure in the development financing portfolio is the main foreign currency exposure of the Society. Although the credit products are hedged through FX and interest rate derivatives (e.g. FX forwards and FX swaps), changes in the United States interest rate market unavoidably affect the value and net interest income of the United States dollar exposure. This is especially due to a mismatch between the duration of the underlying portfolio (i.e. United States dollar credit exposure) and the derivatives cash flows (i.e. United States dollar hedging instruments). A reduction of the United States dollar swaps curve increases the net interest income and the overall value of the portfolio and vice versa. This risk exposure is periodically monitored by the Financial Risk unit and the ALCO to ensure that the gap does not become excessively relevant in a way that could heavily impair the net results of the company.

Local currency interest rate risk

Among the main interest rate risk issues arising from local currency exposure is the lack of liquidity behind the domestic interest rate markets of the related countries. The first challenge that the Society has to overcome is the selection of appropriate benchmark rates (i.e. basis risk) to be used when pricing its loans. In addressing this issue, prices are used that are offered by the same specialised local currency hedging counterparties that give indications about what would be a realistic benchmark rate to use.

In addition, the local currency exposure is subject to interest rate duration mismatch between the portfolio of originated credit products and the underlying FX and interest rate hedging portfolio. This usually arises from the limitations the Society encounters in the local currency hedging market in terms of derivatives product availability. This could potentially lead to a reduction of the achievable net interest income. However, the variety of currencies in the local currency portfolio limits the exposure to the risk of disadvantages that can result from the local currency interest rate risk.

| Duration of interest rate sensitive assets | | | | | |
|---|------------------|---------------|--|--|--|
| <i>As at 31 December 2020</i> | | | | | |
| | Exposure | Weight | Duration (before hedging) | Duration (FX hedging, 1st currency leg) | Duration (FX hedging, 2nd currency leg) |
| | € ,000 | % | Years | Years | Years |
| Local currency credit products | 320,468 | 29% | 0.58 | 0.83 | 0.23 |
| USD credit products | 350,493 | 32% | 1.46 | 0.17 | 0.17 |
| EUR credit products | 29,096 | 3% | 0.62 | None | 0.62 |
| EUR term investments | 182,811 | 17% | 4.00 | None | 4.00 |
| EUR cash and liquidity | 207,651 | 19% | 0.20 | None | 0.20 |
| Totals (weighted average) | 1,090,519 | 100% | | | 0.85 |

| Duration of interest rate sensitive assets | | | | | |
|---|------------------|---------------|--|--|--|
| <i>As at 31 December 2019</i> | | | | | |
| | Exposure | Weight | Duration (before hedging) | Duration (FX hedging, 1st currency leg) | Duration (FX hedging, 2nd currency leg) |
| | € ,000 | % | Years | Years | Years |
| Local currency credit products | 425,988 | 36% | 0.69 | 0.82 | 0.18 |
| USD credit products | 463,372 | 40% | 1.39 | 0.23 | 0.23 |
| EUR credit products | 31,490 | 3% | 0.87 | None | 0.87 |
| EUR term investments | 139,821 | 12% | 4.00 | None | 4.00 |
| EUR cash and liquidity | 109,846 | 9% | 0.20 | None | 0.20 |
| Totals (weighted average) | 1,170,517 | 100% | | | 0.68 |

Liquidity risk

Liquidity risk can be defined as the risk that the Society is unable to meet payment obligations, redemption requests from members and investors, and/or payment commitments to partners and other counterparties.

Liquidity is defined as the sum of cash and bank balances; the value of the term investment portfolio, adjusted for any portions of it pledged to third parties; and the available credit lines with banks. Liquidity divided by the total assets stated on the balance sheet is referred to as the liquidity ratio.

The Society aims to have a liquidity buffer of approximately 15% of total assets, where the liquidity can temporarily be lower as a result of seasonality effects in the use of certain credit facilities or opportunities to extend new loans. The main source of liquidity is new member capital shares that are issued by the Society. Due to the relatively ample liquidity buffer that the Society aims to hold, holding a term investment portfolio, which has by definition a lower degree of liquidity than cash and deposits, allows the Society to offset the opportunity cost of holding liquidity. The potential exposure to market risks arising behind this portfolio is mitigated by the strict guidelines in the Investment Management Agreement in terms of credit quality of the issuers held in the investment portfolio.

The largest part of the term investments portfolio is liquid, and therefore not subject to legal or contractual restrictions on their resale. However, a limited part of this portfolio is used as collateral for some current and contingency debt funding sources that could be deployed in order to collect liquidity on a contingency basis. Most of these investments can be easily acquired or disposed of at market value.

Some of the volatility on the liquidity available is constituted by the margin calls that could arise behind the FX and interest rate hedging portfolio held by the Society. Although these contracts are held for hedging purposes only and are therefore effectively covering the risk arising from an underlying exposure, the cash flows of the two exposures (underlying and derivative) might not be perfectly matched. It could therefore be possible that the hedgers require a collateral pledge after a sharp decrease of the mark-to-market value of the derivative contract while the underlying investment has yet to generate cash flows (interest income and instalments). This liquidity risk source could be tangible, especially for the hedges on the United States dollar investment portfolio, where a sharp appreciation of the United States dollar on the euro would trigger a margin call.

This generous liquidity buffer enables the Society to meet its commitments to contracts already entered into and possible redemptions of member capital. To manage liquidity risk, the Society uses liquidity monitoring tools for a better understanding and forecasting of liquidity trends.

Below is an overview of the liquidity position as at year-end.

| Liquidity | | | | |
|---------------------------------|------------------|--------------|------------------|--------------|
| <i>As at 31 December</i> | 2020 | | 2019 | |
| | € ,000 | % | € ,000 | % |
| Cash and banks | 236,482 | 55.2% | 109,846 | 40.1% |
| Term investments | 182,811 | 42.6% | 139,821 | 51.0% |
| Other securities | 0 | 0% | 21,423 | 7.8% |
| Unused credit lines | 9,457 | 2.2% | 3,115 | 1.1% |
| Gross liquidity | 428,749 | 34.5% | 274,205 | 20.9% |
| Pledged term investments | 17,964 | | 17,816 | |
| Net liquidity | 410,785 | 33.1% | 256,389 | 19.6% |
| Total assets | 1,241,713 | | 1,310,359 | |

The Society is primarily funded by member capital. The Articles of Association include provisions that shares shall be redeemed no later than five years after a redemption request has been submitted. Redemption will be at the nominal value. However, if the net asset value per share is lower than the nominal value per share in the most recent (interim) balance sheet preceding redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet. Even though the Society has the right to delay redemptions for five years, to date, it has never delayed redemptions. The Society has worked with the support associations to prepare a new share issuance and redemption policy, which the Managing Board adopted and the Supervisory Board approved in 2019. The policy sets out a more standardised and transparent process for the issuance and redemption of shares across the Society's members and investors. The policy was implemented in 2020.

Non-financial risk

Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, actions by people (e.g. human error) and systems, or from external events. The Society's objective is to minimise overall operational losses and avoid material losses, as well as maintain its reputation among investors and partners as an effective and reliable organisation. To this end, the Society utilises a cost-benefit approach for putting in place policies, procedures and systems that are capable of mitigating the impact and/or probability of occurrence of the operational risks inherent to its activities.

Building on the streamlining of operations and optimisation of controls within processes, the Society is paving the way towards a more rational and effective approach to operational risk management. The Society relies on an internal process for incident reporting, which enables the timely reporting of potential losses and near misses occurring in the course of day-to-day operations, and also enhances consistency and timeliness in responding to incidents. The purpose of this process is to derive lessons learned for avoiding future incidents while enabling the absorption of potential losses through appropriate capital planning. No incidents with a material impact on the Society's financial condition took place in 2020.

Compliance risk

Compliance risk encompasses both the risk of losses as a result of the Society's failure to comply with relevant laws, regulations, rules, internal policies, standards and code of conduct applicable to its business activities, and the risk of losses due to integrity-related events.

The Society makes it its explicit target to be a compliant organisation: all of the Society's commercial actions are tailored so that after they have been taken, the Society can comfortably say that it is a compliant organisation. An example is the Society's 'know your customer' (KYC) practices (KYC screening and scoring of 'customers' and documentation checks) to verify the suitability and risks involved with entering and maintaining a business relationship, including but not limited to anti-money laundering (AML) and combating the financing of terrorism (CFT) risks.

The Society has a very low appetite for incidental breaches of laws and regulations, internal rules and policies governing its operations, and good business practices. The Society has zero tolerance when a legal or ethical bright line has been crossed.

As failures to comply might lead to sanctions and fines, financial losses, and reputational damage, the Society ensures that its very low tolerance for compliance risk is embedded in the culture of its business operations.

Compliance risks (such as fraud risk, money laundering risk, financing terrorism risk, corruption or bribery risk, business practices risk and circumvention of sanctions risk) are governed by a set of policies and associated control activities, including but not limited to KYC policies for both inflow and outflow 'customers', conflict of interest policy, personal trading policy, whistle-blower policy, anti-bribery and anti-corruption policy, personal data protection policy, transfer pricing policy and the code of conduct.

Reputational risk

Reputational risk is the risk of losses due to negative perception of the Society's commercial practices and financing activities by its direct stakeholders (e.g. partners, members and investors) or by the general public and other business counterparties.

Typically, reputational risks arise from failing to manage compliance or operational risks. Another important element of reputational risk is the need to ensure that all staff members act consciously and in line with the Society's mission, vision and values, and that all new staff members get sufficient training to act in line with the mission, vision and values.

With increasing competition and marketing from the 'impact investing' sector, it has become increasingly difficult for the Society to effectively distinguish itself from competitors purely on the basis of what is considered 'impact'. This could constitute a risk, also if one such competitor was to be scrutinised and exposed to negative media coverage, as this may negatively reflect on the Society's reputation as well.

The Society consistently updates its standards for ESG scoring and new sectors, to ensure that only the partners that meet the Society's very high standards are selected. Once a partner is financed, the Society monitors the developments of the partner's activity and ESG scores, as well as its adherence to social covenants (in case of credit deals, namely requirements in the loan agreement with respect to improvements or minimum criteria for impact and social conduct) or to social performance indicators (in the case of equity deals).

Strategic risk

Strategic risk can be defined as the risk of losses caused by a failure to respond well to changes in the business and market environment and can potentially have a major impact on the Society's financial situation and ability to meet its strategic objectives. The Society distinguishes three types of strategic risks: business model, operating model and regulatory.

Business model risk

Business model risk is the risk of losses, declined market share, worsened competitive position or financial sustainability due to proposing a mispriced or unsuitable financing offer to potential clients or an undesirable product to prospective members or investors.

As part of its 2018-2022 strategy, the Society identified two distinct sets of products and markets, namely:

- Products and markets relating to the development financing portfolio ('outflow') in which the Society shifted from 70+ to 33 outflow focus countries that were selected based on our past performance, the need for social investing and the Society's ability to be successful.
- Products and markets relating to the funding of these activities ('inflow') which currently comprise 11 countries in which the Society actively attracts investments from non-members. To ensure that the Society raises capital in the most effective and efficient way, the two national support offices covering Canada, Ireland and the United Kingdom were closed in 2018 as a result of the 2018-2022 strategy. Members and investors in these countries continue to be served from the Society's central office.

In 2020, the Society continued to monitor the gradual withdrawal of product and markets aligned to the implemented business model (e.g. refocus of geographical scope and emphasis on three sectors). The society will review the remaining changes to the business model as part of the future strategy for 2022-2026.

Operating model risk

Operating model risk is the risk of losses, declined market share or worsened competitive position or financial sustainability due to suboptimal efficiency and scalability of the Society's operating model, or because of excessive complexity in the execution of its strategy.

By the end of 2020, the Society had implemented most of the intended changes to the operating model. As part of the 2018-2022 strategy, the Society introduced the balanced scorecard which closely tracks the implementation of the strategy based on a selection of key performance indicators (KPIs). One of the key indicators that the Society closely tracks is the cost ratio on total assets (excluding grant-based expenses), which the Society aims to reduce to 2.4% which was accomplished this year (2020: 2.3%, excluding the release of the tax accrual, which can be seen as a one-off result).

Regulatory risk

Regulatory risk is the risk of losses, declined market share or worsened competitive position or financial sustainability due to changes in law and regulations affecting the Society's ability to execute its strategy.

In late 2020, the Society initiated a process to review our capital-raising model and look for possibilities to make it more resilient in the face of evolving financial markets regulation, especially in the European Union. The Society relies on funding from its members globally, as well as from investors via support associations and the Share Foundation, in the European Union and other European countries. We have built our model organically over the past 45 years, and it has proven to work successfully to date.

Oikocredit frequently updates its legal assessment of new and upcoming regulation. Additionally, the Society's representatives attend seminars to remain aware of upcoming changes and of the response of peers.

6 Intangible fixed assets

| <i>Changes in intangible fixed assets in 2020 and in the costs of acquisition and accumulated depreciation as at 31 December 2020 can be specified as follows:</i> | | |
|--|-------------------|-------------------|
| | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Historical cost price as at 1 January | 2,303 | 2,054 |
| Accumulated depreciation as at 1 January | (1,987) | (1,596) |
| Balance as at 1 January | 316 | 458 |
| Investments | 540 | 249 |
| Disposals | - | - |
| Depreciation | (73) | (391) |
| Movements in the year | 467 | (142) |
| Historical cost price as at 31 December | 2,843 | 2,303 |
| Accumulated depreciation as at 31 December | (2,060) | (1,987) |
| Balance as at 31 December | 783 | 316 |

The intangible assets consist of software. The software relates to an online portal for investors, a data warehouse and software to develop an online partner portal to enhance our cooperation with and monitoring of partners. Software is depreciated in three years. The investment relates to the monitoring software and the data warehouse.

7 Tangible fixed assets

Changes in tangible fixed assets in 2020 and in the costs of acquisition and accumulated depreciation as at 31 December 2020 can be specified as follows:

| | IT equipment | Furniture | Installation solar assets | Total 2020 | Total 2019 |
|--|--------------|--------------|---------------------------|--------------|--------------|
| | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 |
| Historical cost price as at 1 January | 2,148 | 2,073 | 4,361 | 8,582 | 8,600 |
| Accumulated depreciation as at 1 January | (1,987) | (1,356) | (1,030) | (4,373) | (3,714) |
| Balance as at 1 January | 161 | 717 | 3,331 | 4,209 | 4,886 |
| Investments | 60 | 18 | 16 | 94 | 1,109 |
| Disposals | - | - | - | - | (1,127) |
| Depreciation | (90) | (118) | (698) | (906) | (659) |
| Movements in the year | (30) | (100) | (682) | (812) | (677) |
| Historical cost price as at 31 December | 2,208 | 2,091 | 4,377 | 8,676 | 8,582 |
| Accumulated depreciation as at 31 December | (2,077) | (1,474) | (1,728) | (5,279) | (4,373) |
| Balance as at 31 December | 131 | 617 | 2,649 | 3,397 | 4,209 |

The useful life of the furniture is estimated at five years on average. Information technology (IT) equipment is depreciated in three years. Installations consisting of solar panels are depreciated in 20 years.

8 Development financing

Changes in development financing outstanding

Can be specified as follows:

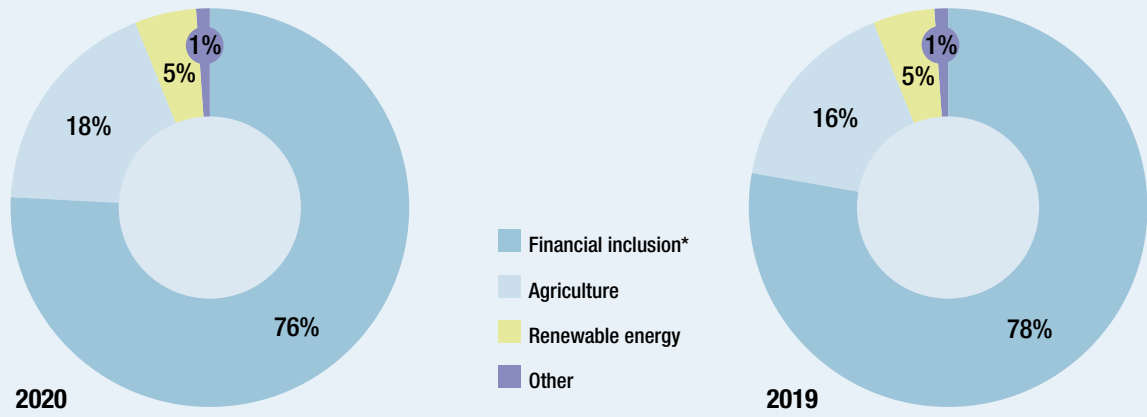
| | 31/12/2020 | 31/12/2019 |
|---|----------------|------------------|
| | € ,000 | € ,000 |
| Outstanding as at 1 January | 1,064,591 | 1,046,583 |
| Disbursements | 243,478 | 404,485 |
| Capitalised interest and dividends | 148 | 280 |
| Less: - repayments | (364,792) | (354,903) |
| - write-offs | (12,900) | (5,750) |
| Equity divestments | (7,539) | (8,148) |
| Correction fund accounting ¹ | - | (3,533) |
| Reclassification ² | - | (20,707) |
| Exchange rate adjustments | (77,923) | 6,284 |
| Outstanding as at 31 December | 845,063 | 1,064,591 |

¹ In the year 2019 we corrected the way we accounted management fees of funds, which resulted in a one-off correction of € 3.5 million.

² Two funds were reclassified from the development financing portfolio to other securities in 2019. These two funds were not direct investments in partners and they may be sold or repaid in the near future.

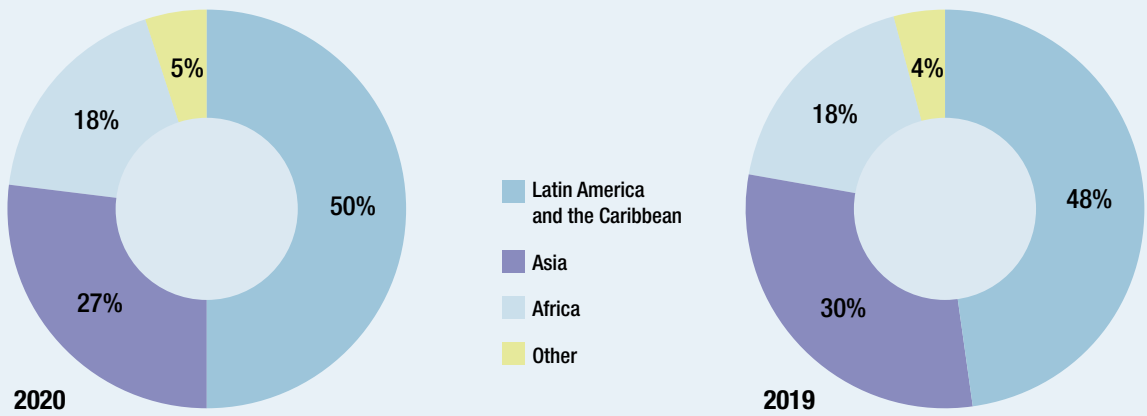
Breakdown of development financing outstanding

Development financing outstanding by sector as at 31 December

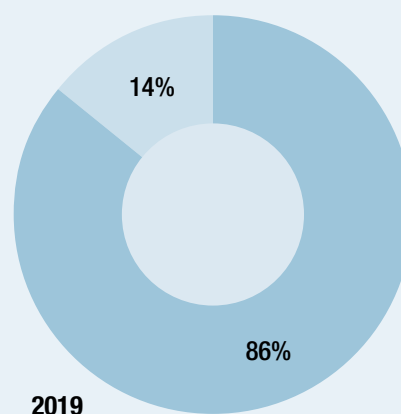
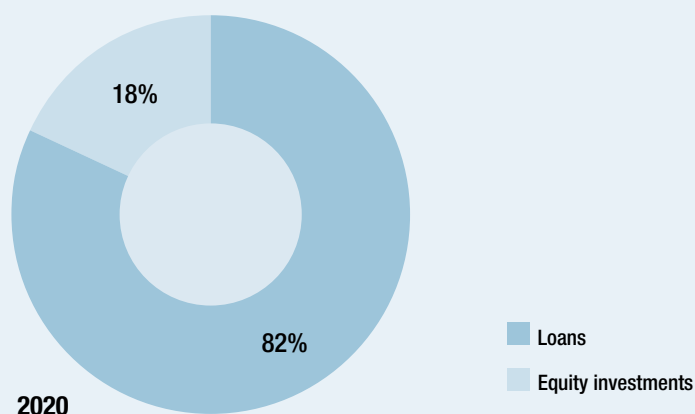


* Including microfinance and SME finance

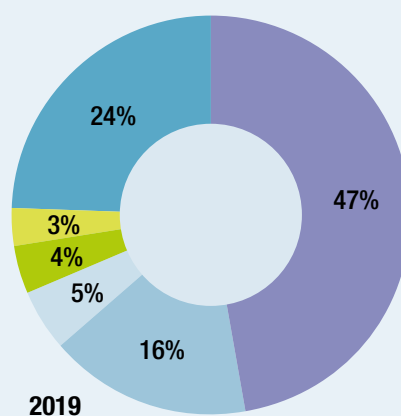
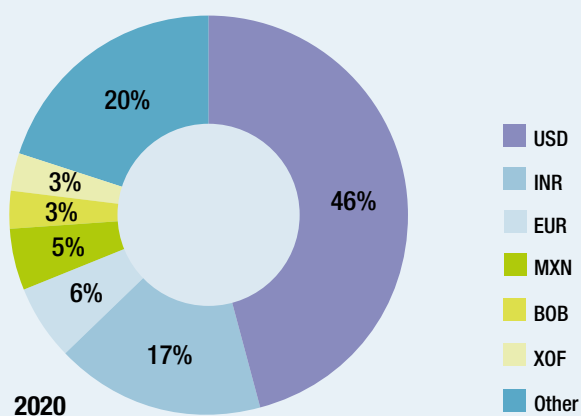
Development financing outstanding by region as at 31 December



Development financing outstanding by type of financing as at 31 December



Development financing outstanding by type of currency as at 31 December



Maturity of development financing outstanding

Can be specified as follows:

| | 31/12/2020 | 31/12/2019 |
|------------------------------------|----------------|------------------|
| | € ,000 | € ,000 |
| Instalments maturing < 1 year | 306,667 | 390,560 |
| Instalments maturing > 1 < 5 years | 370,561 | 519,621 |
| Instalments maturing > 5 years | 18,620 | 5,747 |
| Equity investments | 149,215 | 148,663 |
| Balance as at 31 December | 845,063 | 1,064,591 |

| Movement schedule loans | | |
|-------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 915,928 | 884,078 |
| Disbursements | 235,387 | 385,791 |
| Repayments | (364,792) | (354,903) |
| Capitalised interest and dividends | 148 | 280 |
| Reclassification | - | - |
| Write-offs | (12,900) | (5,750) |
| Exchange rate adjustments | (77,923) | 6,432 |
| Balance as at 31 December | 695,848 | 915,928 |

| Movement schedule equity investments | | |
|---|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 148,663 | 162,504 |
| Additions | 8,091 | 18,694 |
| Correction fund accounting ¹ | - | (3,533) |
| Reclassification ² | - | (20,707) |
| Write-offs | - | - |
| Disposals | (7,539) | (8,295) |
| Balance as at 31 December | 149,215 | 148,663 |

¹ For the correction on fund accounting, refer to the text below the first table of Note 8 for a detailed explanation.

² For the reclassification, refer to the text below the first table of Note 8 for a detailed explanation.

| Schedule equity investments < 20% and > 20% | | | | |
|--|-----------------|-----------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | < 20% | > 20% | Total 2020 | Total 2019 |
| | € ,000 | € ,000 | € ,000 | € ,000 |
| Historical cost value | 118,430 | 30,785 | 149,215 | 148,663 |
| Impairments | (23,174) | (8,868) | (32,042) | (30,972) |
| Net value as at 31 December | 95,256 | 21,917 | 117,173 | 117,691 |

In the table above the equity investments are split into equity investments where the Society holds less than 20% of the shares and equity investments where the Society holds more than 20% of the shares. In the table below the equity investments where the Society has significant influence are disclosed.

| Associate equity | | | | |
|--|----------------------|----------------------|--------------------------------|----------------------------|
| <i>The Society had significant influence in the following equity investments as at 31 December 2020:</i> | Participation | Participation | Net equity ¹ | Result ¹ |
| | 2020 | 2019 | (latest available) | (latest available) |
| | | | € ,000 | € ,000 |
| Outgrower SPV, Nicaragua | 44.2% | 44.2% | | |
| Guaguazu S.A., Bolivia | 35.3% | 35.3% | 434 | (38) |
| Fertiplant East Africa Ltd., Kenya | 30.0% | 30.0% | | |
| Vehículos Líquidos Financieros, Mexico | 29.7% | 29.7% | | |
| Cafedirect Plc, United Kingdom | 27.8% | 27.8% | 4,018 | 156 |
| Inclusive Guarantee, France | 33.4% | 19.1% | | |

¹ The net equity and result in the table are the equity and result of the whole organisation and not only the equity stake of the Society. For these equity investments the exemption of Art. 379.2 under Part 9, Book 2 of the Netherlands Civil Code is used. These equity investments are not obliged to publish their net equity and result according to local law.

The table above includes all equity investments in which the Society has significant influence. The shareholding percentages of 20% and above are one of the indicators of significant influence.

The presented net equity value and result are based on local accounting standards from unaudited financial statements and are not adjusted to reflect the Society's share in the respective net equity value and result. Financial reporting may not always be comparable to the requirements under Part 9, Book 2, of the Netherlands Civil Code and may not be available in a timely manner. As such all the equity investments in which the Society has significant influence are valued at cost less impairment as at 31 December 2020.

| <i>Total loan loss provision and impairments equity</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Loan loss provision | (74,414) | (62,223) |
| Impairments equity | (32,042) | (30,972) |
| Balance as at 31 December | (106,456) | (93,195) |

| Provision for possible losses | | |
|--------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | (62,223) | (58,867) |
| Additions | (29,852) | (8,398) |
| Exchange rate adjustments | 4,955 | (708) |
| | (87,120) | (67,973) |
| Less: - write-offs | 12,706 | 5,750 |
| Balance as at 31 December | (74,414) | (62,223) |

| Impairments equity investments | | |
|---------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | (30,972) | (17,122) |
| Additions | (4,181) | (14,736) |
| Reversals | 3,111 | 886 |
| | (32,042) | (30,972) |
| Less: - write-offs | - | - |
| Balance as at 31 December | (32,042) | (30,972) |

Fair value of development financing loan portfolio

- The development financing loan portfolio consists of local currency loans and hard currency loans, usually with semi-annual or annual equal instalments.
- The interest rates charged to partners on local currency loans consist of base rates (local interbank or other appropriate base rates) plus an additional margin for risk and costs, and are usually comparable to local market rates. The majority of the Society's local currency loans are repriced quarterly or semi-annually.
- The interest rates charged to partners on hard currency loans are usually fixed interest rates for the full loan period and consist of base rates plus an additional margin for risks and costs. The Society uses the applicable base rates in the currencies in which the Society works (Euribor, Libor, swap rates and similar rates) plus surcharges for risks, costs and dividends that are expected to be paid.
- The loans have an average contractual maturity of approximately four years and five months (2019: four years and five months).
- An analysis of the recoverability of the loans is performed quarterly and a provision for possible losses on the development financing loan portfolio is formed.
- When all possible efforts to collect a loan have been exhausted and a loan is deemed uncollectible by the Special Collections unit, a (partial) write-off proposal is prepared. The final write-off decision is made by the Credit Committee. The write-off policy has not been changed compared to 2019.

The fair value of the development financing loan portfolio at least equals the book value, which is estimated at € 621.4 million (2019: € 854.0 million).

Fair value of development financing equity portfolio

- Equity investments are in practice valued at the lower of cost or realisable value.
- The Society operates in countries where there is no active market for these equity stakes. The fair value is determined taking into account suitable valuation methods such as book value multiples, price-earnings ratios and recent sale prices of similar investments.

It is estimated that the fair value of the equity portfolio at least equals the book value, which is estimated at € 117.2 million (2019: € 117.7 million).

9 Other securities

| <i>Changes in other securities can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | 35,270 | 4,775 |
| Investments during the year at cost | 252 | 9,788 |
| Disinvestments/redemptions during the year | - | - |
| Impairment | (354) | - |
| Reclassification from development financing | - | 20,707 |
| Balance as at 31 December | 35,168 | 35,270 |

For an explanation about the reclassification, which was done in 2019, refer to Note 8 on the development financing portfolio.

| <i>The other securities consist of:</i> | 31/12/2020 | 31/12/2019 |
|--|-------------------|-------------------|
| | € ,000 | € ,000 |
| GLS Alternative Investments Microfinance Fund, Germany | 9,539 | 9,539 |
| ASN-Novib Microcredit Fund, the Netherlands | 11,242 | 11,345 |
| TCX, The Currency Exchange Fund N.V., the Netherlands | 13,138 | 13,138 |
| GLS Gemeinschaftsbank, Germany | 500 | 500 |
| Banca Popolare Etica, Italy | 100 | 100 |
| Ekobanken, Sweden | 10 | 10 |
| Other | 639 | 638 |
| Total other securities | 35,168 | 35,270 |

The Society holds shares in TCX on behalf of Stichting Oxfam Novib, the Netherlands, for an amount of € 1.7 million. The legal title of these shares in TCX is scheduled to be transferred from the Society to Stichting Oxfam Novib early 2021. The Society held shares in TCX on behalf of Grameen Crédit Agricole Microfinance Foundation (Grameen), Luxembourg, for an amount of € 1.8 million. The legal title of these shares was transferred by the Society to Grameen in August 2020.

Fair value of other securities

The fair value of the investment in TCX as at 31 December 2020 amounted to US\$ 18.5 million (€ 15.2 million) for 27 shares (2019: US\$ 11.4 million (€ 10.2 million) for 27 shares). With respect to the other investments in the portfolio, the fair value at least equals the carrying amount.

10 Other financial assets

| <i>Summary of other financial assets:</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Hedge contracts financial institutions ¹ | 4,934 | 4,885 |
| Staff loans ² | 65 | 120 |
| Tax asset Maanaveeya | - | 164 |
| Total | 4,999 | 5,169 |

¹ The fair value of these hedge contracts and other details are disclosed in Note 33.

² All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

| Hedge contracts financial institutions | | |
|---|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 4,885 | 4,809 |
| Movements | 49 | 76 |
| Balance as at 31 December | 4,934 | 4,885 |

| Staff loans | | |
|-------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 120 | 130 |
| Movements | (55) | (10) |
| Balance as at 31 December | 65 | 120 |

| Maanaveeya tax asset | | |
|-------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 164 | - |
| Movements | (164) | 164 |
| Balance as at 31 December | - | 164 |

11 Term investments

| <i>Changes in term investments can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | 139,821 | 144,240 |
| Investments during the year at cost | 42,390 | 6,499 |
| Disinvestments/redemptions during the year | - | (14,183) |
| Revaluation to market value as at 31 December | 600 | 3,265 |
| Balance as at 31 December | 182,811 | 139,821 |

| <i>The term investments portfolio consists of:</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Buy and Maintain ESG Credit Portfolio ¹ | 172,808 | 129,780 |
| Portfolio managed by Alternative Bank Schweiz (ABS), Switzerland ² | 10,003 | 10,041 |
| Total term investments | 182,811 | 139,821 |

¹ 'Buy and Maintain Environmental Social Governance (ESG) Credit Portfolio' is the name of the bond portfolio managed by AXA.

² Since 2017 the Society has held a number of company bonds managed by ABS.

The Society can sell the bonds at any time and the bonds are therefore liquid, although the Society needs to take into account the conditions mentioned in Note 13. The term investments in bonds have been rated 'investment grade' by Moody's, S&P and/or Fitch in line with the policy.

12 Receivables and other current assets

| <i>The receivables maturing within one year can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|--|-------------------|-------------------|
| | € ,000 | € ,000 |
| Hedging contracts (refer to Note 33) | 17,678 | 6,535 |
| Accrued interest on development financing net of allowance | 12,930 | 14,362 |
| Interest receivable | 2,234 | 2,851 |
| - Face value | 5,709 | 7,037 |
| - Less: allowance for uncollectability | (3,475) | (4,186) |
| Hedging receivable | 1,841 | 6,812 |
| Receivables Share Foundation | 1,271 | 3,765 |
| Value added tax and wage taxes | 541 | 475 |
| Amounts prepaid | 176 | 39 |
| Staff loans ¹ | 24 | 56 |
| Collateral related to hedging contracts | 4 | 7,870 |
| Sundry receivables | 2,767 | 1,567 |
| Balance as at 31 December | 39,466 | 44,332 |
| <i>Changes in the allowance for uncollectability are specified as follows:</i> | 2020 | 2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | (4,186) | (4,313) |
| Additions charged to income | (2,099) | (863) |
| Write-offs from allowance | 2,631 | 1,017 |
| Exchange rate adjustment | 179 | (27) |
| Balance as at 31 December | (3,475) | (4,186) |

¹ All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

13 Cash and banks

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Cash and banks including time deposits maturing within one year | 236,482 | 109,846 |
| Balance as at 31 December | 236,482 | 109,846 |

The Society maintains its funds in banking institutions in Africa, Asia, Europe, Latin America and the United States. At reporting date, the Society is experiencing issues in converting and repatriating capital from West Africa. The Society is working on solving the issue and has approached the Central Bank (BCEAO) and the Ministry of Finance of the monetary area. The time deposits included in cash and banks as at 31 December 2020 all mature in 2021.

The Society has a credit facility agreement with a Dutch bank and an Italian bank. The facility with the Dutch bank amounts to € 5.0 million. This facility, of which € 0.5 million was used in 2020, is subject to the following conditions:

- Audited financial statements should be provided within six months of year-end.
- The solvency ratio of the Society should be at least 70% (2020: 93.9%).
- The Society should keep its bond portfolio (term investments) and liquid assets free of any encumbrances for 125% of the amount of the credit facility agreement with the Dutch bank (€ 6.3 million).
- Without the written permission of the credit institution, the Society is not allowed to sell or securitise fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) or to issue guarantees for liabilities of third parties.

The facility with the Italian bank amounts to € 5.0 million of which € 0 has been used as per 31 December 2020. There are no specific conditions attached to this facility.

14 Member capital

The Society issues shares in euro, British pounds, Canadian dollars, Swedish kronor, Swiss francs and United States dollars.

The shares shall be redeemed no later than five years after a redemption request has been submitted and are as such considered a liability (puttable shares). Redemption will be at the nominal value. However, if the net asset value per share is lower than the value stated in the most recent audited (interim) balance sheet preceding the redemption by the Society, the amount payable upon redemption of the share(s) shall not exceed the sum corresponding to the net asset value of the share(s) according to that balance sheet (Article 13 of the Articles of Association). As at 31 December 2020, the net asset value per share amounted to € 210.50 (2019: € 214.41). Following the implementation of the member share issuance and redemption policy on 1 September 2020, the decision to honour issuance and redemption requests received in a calendar month is made on the fifth working day of the following month, and the issuance and redemption orders are registered as of the first of that month. This means that requests for issuance and redemption of shares received during December 2020 will be registered as of 1 January 2021. There was € 12.2 million of shares to be issued and € 6.6 million of shares to be redeemed to members as at 31 December 2020. On 8 January 2021 the Managing Board decided to issue and redeem the requests submitted in December 2020.

The Managing Board opted to make use of the exemption in the Generally Accepted Accounting Principles in the Netherlands (Dutch GAAP) to classify the puttable shares as equity (RJ 290.808) as disclosed in the accounting policies in Note 2.

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|--|-------------------|-------------------|
| | € ,000 | € ,000 |
| Member capital | | |
| Balance as at 1 January | 1,129,832 | 1,082,492 |
| New euro shares issued | 36,833 | 68,540 |
| New shares in other currencies issued | 5,494 | 9,436 |
| Redemption of euro shares | (63,328) | (25,733) |
| Redemption of shares in other currencies | (5,256) | (4,876) |
| Exchange rate adjustments | 495 | (27) |
| Balance as at 31 December | 1,104,070 | 1,129,832 |
| Of which | | |
| - euro shares | 1,003,548 | 1,030,019 |
| - shares in other currencies | 100,522 | 99,813 |

15 General reserve

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|-------------------|-------------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | 80,548 | 90,816 |
| Appropriation of the prior-year results | 14,274 | 1,270 |
| Prior-year adjustment | 1,015 | (11,538) |
| Balance as at 31 December | 95,837 | 80,548 |

For the restricted exchange fluctuation reserve please refer to the Society financial statements in Note 46.

16 Local currency risk funds

The Support Foundation and the Society mutually agreed to end the covering of the local currency risk funds as per 1 December 2019 and have transferred the balance of the local currency risk funds to the Society.

| Local currency risk funds (LCRF) | | |
|---|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | - | 10,002 |
| Exchange rate adjustments | - | (3,330) |
| Balance as at 30 November | - | 6,672 |
| Transfer external hedges to Society | - | (2,489) |
| Transfer of LCRF to Society | - | (4,183) |
| Balance as at 31 December | - | - |

17 Funds for subsidised activities and model costs

The funds below originate from grants received for purposes described for each separate fund below. The Support Foundation charges the related Category A and B costs to these funds. Refer to the general information (Note 1) for an explanation of Category A and B costs.

| Funds for subsidised activities and model costs, capacity building and guarantee funds | | |
|---|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Funds for subsidised activities and model costs | 1,164 | 1,164 |
| Capacity building and guarantee funds | 2,880 | 3,577 |
| Balance as at 31 December | 4,044 | 4,741 |

| Funds for subsidised activities and model costs | | | | |
|--|---|---|-------------------|-------------------|
| | Donated investments ¹ | Funds for subsidised activities and model costs ² | Total 2020 | Total 2019 |
| | € ,000 | € ,000 | € ,000 | € ,000 |
| Balance as at 1 January | 539 | 625 | 1,164 | 1,145 |
| Addition to/released from fund | - | - | - | 19 |
| Balance as at 31 December | 539 | 625 | 1,164 | 1,164 |

¹ This fund was established to account for donated shares.

² This fund was set up in 1999 to cover the subsidised activities and model costs of the Society.

| Capacity building and guarantee funds | | | | | | | | | | | | |
|--|-------------------------------------|---|---|---|-------------------------------------|--|-------------------------------------|--------------------------------------|---------------------------------------|----------------------------|--------------|--------------|
| | Capacity building fund ¹ | Capacity building ELK outcome fund ² | Capacity building BftW/IDB ³ | Geographic programmes fund ⁴ | General guarantee fund ⁵ | Guarantee fund for Africa ⁵ | Corona solidarity fund ⁶ | Capacity building USAID ⁷ | Rwanda tea seedling fund ⁸ | SSNUP Project ⁹ | Total 2020 | Total 2019 |
| | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 | € ,000 |
| Balance as at 1 January | 1,095 | - | - | - | 329 | 2,153 | - | - | - | - | 3,577 | 3,272 |
| Allocation of prior year result | 11 | - | - | - | - | - | - | - | - | - | 11 | - |
| Addition to/released from fund ¹⁰ | (420) | - | - | - | (6) | (282) | - | - | - | - | (708) | 305 |
| Balance as at 31 December | 686 | - | - | - | 323 | 1,871 | - | - | - | - | 2,880 | 3,577 |

¹ This fund was set up for capacity building of existing and potential partners and feasibility studies of potential partners in all countries in which Oikocredit operates.

² The client outcome fund originates from the Evangelical-Lutheran Church in Württemberg (ELK) and was set up for research and analysis training of microfinance institutions in Latin America and Asia as well as an agricultural project in East Africa.

³ The three-year capacity building programme, Building Resilience of Smallholder Farmers Business, came to an end in 2020, and was financed by Bread for the World – Protestant Development Service (BftW). The Multilateral Investment Fund – a member of the Inter-American Development Bank Group (IDB) – supports the three-year capacity building programme Price Risk Management (PRM) for Coffee Cooperatives in Latin America, which came to an end in 2020.

⁴ The geographic programmes fund is a capacity building fund from Act Church of Sweden (CoS) under which two programmes ran in 2018 and no new programmes in 2019 and 2020. The programmes were Bridging the Gender Gap in Microfinance in the Philippines, and a programme aiming at the strengthening of small cooperatives in Guatemala.

⁵ The two guarantee funds were established to enable institutional donors and individuals to participate in a fund that insures part of the counterparty risk (equity or loan and accumulated interest) of partners financed by Oikocredit.

⁶ The Support Foundation created the coronavirus solidarity fund with an initial € 25,000 from Oikocredit. This was augmented by contributions from members and investors.

⁷ A follow-up to the PRM project mentioned above was initiated with USAID's support, to further develop and consolidate the parts of the PRM programme dealing with information management. Another project was our disaster risk reduction initiative for Southeast Asian partners.

⁸ In Rwanda, the Support Foundation has begun working with Karongi and Muganza Kivu tea factories to produce two million high-quality tea seedlings. The project will distribute the seedlings and provide training in tea cultivation to Rwandan smallholder farmers via two cooperatives.

⁹ The Society has been selected to participate in the Smallholder Safety Net Upscaling Programme (SSNUP), coordinated by the Swiss Agency for Development and Cooperation, the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs, and Ada Microfinance. This is a 10-year public-private partnership intending to support at least 10 million smallholder farmers in Africa, Asia and Latin America by boosting the development of agricultural value chains.

¹⁰ For the additions to and releases from these funds, refer to Note 32.

18 Third-party interests

Third-party interests consist of the third-party interests of participants in the Low Income Countries (LIC) Loan Fund.

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|-------------------------------------|------------|------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | - | 1,664 |
| Capital payment ¹ | - | (1,724) |
| Results | - | 60 |
| Balance as at 31 December | - | - |

¹ In relation to the decreasing investments under management of the LIC Loan Fund, it was decided to dissolve the LIC Loan Fund with effect from 17 December 2019 and transfer the capital back to both participants, FMO and the Society.

19 Provisions

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|--------------------------------------|------------|--------------|
| | € ,000 | € ,000 |
| Restructuring provision ¹ | 328 | 1,052 |
| Total provisions | 328 | 1,052 |

¹ This provision as at 31 December 2020 reflects costs associated with the implementation of the strategic plan 2018-2022 to focus on 33 countries.

20 Non-current liabilities

| <i>Can be specified as follows:</i> | 2020 | Remaining term > 1 year < 5 years | Remaining term > 5 years | 2019 |
|---|---------------|--------------------------------------|-----------------------------|---------------|
| | € ,000 | € ,000 | € ,000 | € ,000 |
| Bank loans | 13,453 | 13,453 | - | 60,838 |
| Hedge contracts (refer to Note 33) | 114 | 114 | - | 1,625 |
| Total other non-current liabilities | 13,567 | 13,567 | - | 62,463 |
| Repayment obligations due within 12 months of the end of the financial year are included under the current liabilities. | | | | |

| <i>Changes in bank loans can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|---------------|---------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | 60,838 | 54,844 |
| New loans | 12 | 27,064 |
| Repayments | (3,905) | (25,754) |
| Reclassification to current liabilities | (46,072) | (4,306) |
| Exchange rate adjustments | 2,582 | 8,991 |
| Balance as at 31 December | 13,453 | 60,838 |

Bank loans consist of the following:

- Loans with a total principal amount of INR 1.1 billion from financial institutions in India maturing in 2021 for INR 75.0 million (included under current liabilities), in 2022 for INR 30.0 million and for the years after 2022 for INR 1.0 billion. The loans carry an average interest rate of 8.33%.
- A loan granted by a Swedish bank amounting to € 2.0 million (2019: € 1.9 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2020: 0.00%) plus an agreed margin (as at 31 December 2020: 0.57%). The loan is secured by a pledge on the Society's bond portfolio for a maximum of € 6.3 million.
- A loan granted by a German bank amounting to € 36.0 million (2019: € 36.0 million) is included under the current liabilities as at 31 December 2020, since the loan will be repaid in January 2021.
- A loan granted by a Swiss bank for an amount of € 9.2 million (2019: € 9.2 million) is included under the current liabilities as at 31 December 2020, since the loan will be repaid during the year 2021.

Fair value of long-term liabilities

The majority of the bank loans are at variable interest rates. Therefore, the fair value of the current liabilities approximates the book value. Bank loans for investment in development financing have been invested in the Society's development financing portfolio for risk and account of the funders.

21 Current liabilities

| <i>All current liabilities mature within one year and can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|--|-------------------|-------------------|
| | € ,000 | € ,000 |
| Long-term loans expired or expiring within one year ¹ | 46,206 | 10,156 |
| Accrued expenses, sundry liabilities | 5,288 | 2,654 |
| Other taxes payable ² | 4,494 | 4,670 |
| Hedge contracts (refer to Note 33) | 3,940 | 8,671 |
| Hedge premiums payable | 1,232 | 1,932 |
| Accounts payable | 739 | 547 |
| Accrued personnel expenses | 483 | 692 |
| Provision hedges | - | 2 |
| Balance as at 31 December | 62,382 | 29,324 |

¹ Consists of amounts maturing within one year from loans taken from financial institutions in India for € 0.8 million, from a loan taken from a German bank amounting to € 36.0 million and a loan taken from a Swiss bank amounting to € 9.2 million.

² The growth of the Society has led Oikocredit to thoroughly review its tax and legal structures in the countries where it has offices, to ensure there is a structure in place to pay Oikocredit's fair share of taxes. The total tax accrual was at the same level as last year amounting to € 4.0 million. Next to the tax accrual the Society has other taxes payable for an amount of € 494,000 (2019: € 670,000).

Fair value of current liabilities

Applicable interest rates of the current liabilities are in accordance with applicable market interest rates. Therefore, the fair value of the current liabilities approximates the book value.

22 Commitments and contingencies not included in the balance sheet

With effect from 1 July 2019 the Society renewed its rental agreement for the office building in Amersfoort, the agreement will end on 31 December 2024. The yearly rent payments amount to € 232,130 up until 31 December 2024. The yearly rent is indexed. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Rabobank, Standard Chartered Bank and TCX contain an obligation to post eligible collateral under a credit support annex. This means the change in market value of the derivative portfolio can lead to a debit or credit daily from the current account.

In the contract with Standard Chartered Bank, the threshold for the Society is set at US\$ 3.0 million and for Standard Chartered Bank at US\$ 50.0 million. In the contract with TCX, the threshold is set at US\$ 3.0 million for both the Society and TCX. In the contract with Rabobank, the threshold is set at € 0 for both the Society and Rabobank. As at 31 December 2020 the mark to market value of the hedge contracts with Standard Chartered Bank was US\$ 52,000 positive. As at 31 December 2020 the mark to market value of the hedge contracts with TCX was US\$ 11.8 million positive. The mark to market value of the derivative portfolio with Rabobank was € 7.9 million positive. For posted cash collateral, refer to Note 12.

The Society issued a guarantee for an amount of € 0.6 million to an Ethiopian bank, covering loans issued by the bank to a partner in Ethiopia.

The Society pledged in total € 18.0 million of its bond portfolio to guarantee loans from financial institutions.

Maanaveeya Development & Finance Private Limited in India filed appeals to the Commissioner of Income Tax/the Income Tax Appellate Tribunal challenging demand notices totalling INR 74.37 million (€ 0.84 million). This amount is not recorded as a tax liability.

The Society had committed € 158.4 million to its partners as at 31 December 2020 that was not yet disbursed in 2020.

23 Interest and similar income

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|--|---------------|---------------|
| | € ,000 | € ,000 |
| Interest on development financing portfolio | 77,084 | 91,495 |
| Interest on term investments: | | |
| - Interest unrealised | 428 | (156) |
| - Interest realised | 2,002 | 2,430 |
| Total interest on term investments | 2,430 | 2,274 |
| Revaluation term investments | 600 | 3,265 |
| Total interest and similar income | 80,114 | 97,034 |

24 Interest and similar expenses

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|--|----------------|----------------|
| | € ,000 | € ,000 |
| Interest payable on long-term loans, current accounts and other short-term liabilities | (2,522) | (1,658) |
| Total | (2,522) | (1,658) |

25 Income from equity investments

| <i>Can be specified as follows:</i> | | |
|---|----------------|----------------|
| | 2020 | 2019 |
| | € ,000 | € ,000 |
| Result from sale of equity investments | | |
| Divine Chocolate | (1,528) | - |
| Equip Plus | (686) | - |
| People Tree | (673) | - |
| Gebana | - | (276) |
| Yalelo | - | (642) |
| Emfil | - | 4,310 |
| Fund AfricInvest | - | 268 |
| Correction fund accounting | - | 2,427 |
| Total result from sale of equity investments | (2,887) | 6,087 |
| Dividends | 2,209 | 4,223 |
| Correction fund accounting | - | (2,167) |
| Total dividend | 2,209 | 2,056 |
| Management fees funds | (257) | (3,789) |
| Total income from equity investments | (935) | 4,354 |

In 2019 an error was identified in the way equity fund investments had been accounted for in previous years. In 2019 an adjustment was made to correct this error. This resulted in € 3.8 million of management fees being expensed and € 260,000 being recorded as income. The € 260,000 consist of € 2.4 million positive result from sale of equity investments and € 2.1 million negative dividends in the tables above.

26 Grant income

| Grants | | |
|--|------------|--------------|
| <i>Can be specified as follows:</i> | | |
| | 2020 | 2019 |
| | € ,000 | € ,000 |
| Grants received for Coronavirus solidarity fund | 185 | - |
| Grants received from Oikocredit Westdeutscher Förderkreis, Germany | 77 | - |
| Grants received from Evangelical-Lutheran Church in Württemberg, Germany | 61 | 50 |
| Grants received from Act Church of Sweden | 19 | 24 |
| Grants received from Inter-American Development Bank, United States | - | 400 |
| Grants received from Bread for the World – Protestant Development Service, Germany | - | 227 |
| Other grants received | 142 | 353 |
| Total grants | 484 | 1,054 |

Grants are received either according to contractual agreements with organisations with which the Society collaborates on capacity building projects, or from other parties, such as donations from dividends or legacies. Grants recognised from collaborating organisations means that the funds were spent during the year. Unused grants are accounted for under current liabilities. Grants recognised from other parties are immediately recognised in the year received as these grants have no specific spending requirements. In 2020 the coronavirus solidarity fund was created. The donations to this fund were from existing Oikocredit donors, like Act Church of Sweden and Oikocredit support associations.

From the Evangelical-Lutheran Church in Württemberg, the Support Foundation received €110,000 in 2020.

In 2020 the Price Risk Management programme and the agricultural project in East Africa funded by Bread for the World came to an end. The Inter-American Development Bank disbursed US\$ 94,720 for the Price Risk Management programme in Central and South America, implemented in cooperation with Fair Trade USA and Catholic Relief Services. In 2020 a new programme started called Smallholder Safety Net Upscaling Programme (SSNUP). Ada Microfinance disbursed €306,360 in 2020.

27 Other income and expenses

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|-------------------------------------|-----------------|-----------------|
| | € ,000 | € ,000 |
| Exchange rate differences | (11,866) | (1,336) |
| Hedge premiums | (24,239) | (35,861) |
| Hedge provision | 2 | 1,218 |
| Dividends from other securities | 255 | 208 |
| Impairment from other securities | (354) | |
| Management fees | 39 | 85 |
| Total | (36,165) | (35,686) |

28 Personnel

The number of employees who were directly or indirectly employed by the Society at the end of 2020 on the basis of full-time equivalents (FTE) amounted to 192 (2019: 201). This number includes staff based outside the Netherlands employed by the regional, country and national support offices (2020: 107 FTE, 2019: 110 FTE). Of the total FTEs (192), 54% were women and 46% men. Of the total Managing Board FTEs (six), 50% were women and 50% men. Of the Supervisory Board (9), 67% were women and 33% men. The Supervisory Board do not count as employees.

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|--|-----------------|-----------------|
| | € ,000 | € ,000 |
| Salaries | (10,386) | (11,258) |
| Social security charges | (1,401) | (1,508) |
| Expenses temporary staff | (1,093) | (1,409) |
| Other allowances (13th month, holiday allowance) | (1,058) | (1,027) |
| Pension charges | (895) | (1,070) |
| Settlements | 37 | (12) |
| All other personnel costs | (1,124) | (2,585) |
| Total personnel expenses | (15,920) | (18,869) |

For 2020 the consultancy costs, other than temporary staff, have been moved to the general and other expenses. The 2019 figures have therefore been adjusted accordingly.

29 General and other expenses

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|---|-----------------|-----------------|
| | € ,000 | € ,000 |
| Contribution to support associations and Share Foundation | (3,639) | (3,643) |
| Office expenses | (2,217) | (2,635) |
| Consultancy expenses including audit fees | (1,799) | (4,575) |
| IT-related expenses | (1,311) | (734) |
| Capacity building expenses | (736) | (836) |
| Marketing expenses | (663) | (674) |
| Legal expenses | (618) | (180) |
| Expenses AGM and Supervisory Board | (146) | (210) |
| Addition / release tax accrual | (35) | 2,405 |
| All other general expenses | (1,831) | (680) |
| Total general and other expenses | (12,995) | (11,762) |

Auditor's fees

| <i>The following auditor's fees were charged by KPMG Accountants N.V. to the Society, as referred to in Article 2:382a (1) and (2) of the Netherlands Civil Code, and expensed in the income statement in the reporting period:</i> | 2020 | 2019 |
|---|---------------|---------------|
| | € ,000 | € ,000 |
| Audit of financial statements | (177) | (153) |
| Assurance services | (16) | (21) |
| Consulting services | (4) | (11) |
| Total audit fees | (197) | (185) |

30 Additions to loss provisions and impairments

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|---|-----------------|-----------------|
| | € ,000 | € ,000 |
| Additions to provisions against losses and equity impairments | | |
| - equity impairments | (1,067) | (13,849) |
| - on principal of loans | (29,852) | (8,398) |
| - on interest | (2,099) | (863) |
| Total | (33,018) | (23,110) |

The equity impairments compared to 2019 decreased with € 12.8 million. In 2020 three equity investments were sold with a loss (refer to Note 25). All three investments were 100% impaired and therefore released from the equity impairments when the sale was recognised. The total amount of release was € 2.9 million. The performance of one of our equity investments improved structurally and the impairment was therefore reduced, which resulted in a release of € 0.2 million. There were two equity investments for which we took the first impairment step of 20%, which resulted in an addition of € 1.0 million. Next to this we increased the impairments for 10 equity investments compared to 2019, which resulted in an addition of € 3.2 million. The additions to the loan loss provision were mainly driven by the pandemic. As mentioned in the section *Change in accounting estimates*, the loan loss provision category 'payment holiday' was established during 2020 due to the pandemic.

31 Taxes

The tax rate in the Netherlands is 25% with an initial rate of 16.5% on the first € 200,000 of taxable income. As mentioned in the notes to the consolidated financial statements, the offices in Brazil, Costa Rica, Ghana, Guatemala, Kenya, Nigeria, the Philippines and Uruguay are incorporated as legal entities, but due to the limited size of their assets, these offices were regarded as if they were owned branch offices. The taxes of € 0.1 million relate to these offices. Due to the consolidated loss for the year no income taxes are expected to be due in the Netherlands. The tax amount in the profit and loss statements largely relates to Maanaveeya and is € 1.6 million.

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|--|----------------|----------------|
| | € ,000 | € ,000 |
| Taxes regional and country offices | (113) | (136) |
| Taxes Maanaveeya Development & Finance Private Limited | (1,643) | (3,246) |
| Taxes Financial Company Oikocredit Ukraine | - | (18) |
| Total taxes | (1,756) | (3,400) |

32 Additions to and releases from funds

In the table below the additions to and the releases from the local currency risk funds and capacity building funds are disclosed.

Regarding the local currency risk funds, the movements shown in the table are the movements due to interest and exchange rate differences within the funds over the year. The funds were established based on donations from organisations and members, in the table shown as grants received. Regarding the capacity building and guarantee funds the movements shown in the table are the movements due to costs incurred and grants received within the funds over the year. The funds receive support from donors. For an overview of the grant income, refer to Note 26.

| <i>Can be specified as follows:</i> | 2020 | 2019 |
|---|---------------|---------------|
| | € ,000 | € ,000 |
| Total local currency risk funds | | |
| Grants received | - | 1 |
| Exchange rate differences on invested funds | - | 1,292 |
| Addition exchange rate differences and premiums | - | (1,709) |
| Exchange rate differences local currency loans repaid | - | 4,801 |
| Interest added | - | (1,055) |
| Addition to/(released from) fund | - | 3,330 |
| Subtotal local currency risk funds | - | 3,330 |
| Donated investments | | |
| Grants received | - | (60) |
| Addition to/(released from) fund | - | (60) |
| Subsidised activities and model costs | | |
| Interest received/(paid) allocated to fund | - | (10) |
| Other costs, office expenses | - | 51 |
| Addition to/(released from) fund | - | 41 |

| | 2020 | 2019 |
|--|--------|--------|
| | € ,000 | € ,000 |
| Capacity building funds | | |
| Grants received | (19) | (147) |
| Transfer between funds | - | 9 |
| Non-allocated grants | 260 | (70) |
| Interest received/(paid) | - | (17) |
| Other costs | 179 | 200 |
| Addition to/(released from) fund | 420 | (25) |
| Capacity building ELK client outcomes | | |
| Grants received | (110) | - |
| Non-allocated grants | 49 | (23) |
| Other costs | 61 | 23 |
| Addition to/(released from) fund | - | - |
| Capacity building BftW | | |
| Grants received | - | - |
| Non-allocated grants | (10) | (157) |
| Other costs | 10 | 157 |
| Addition to/(released from) fund | - | - |
| Capacity building IDB | | |
| Grants received | - | - |
| Non-allocated grants | (154) | (261) |
| Other costs | 154 | 261 |
| Addition to/(released from) fund | - | - |
| Capacity building CoS geographic programmes | | |
| Grants received | - | - |
| Non-allocated grants | (17) | (23) |
| Transfer between funds | - | - |
| Other costs | 17 | 23 |
| Addition to/(released from) fund | - | - |
| General guarantee funds | | |
| Guarantee calls | - | - |
| Transfer between funds | - | - |
| Interest added/(paid) | 6 | (74) |
| Addition to/(released from) fund | 6 | (74) |
| Guarantee fund for Africa | | |
| Guarantee calls | - | - |
| Transfer between funds | - | - |
| Interest added/(paid) | 282 | (205) |
| Addition to/(released from) fund | 282 | (205) |
| Corona solidarity fund | | |
| Grants received | (165) | |
| Non-allocated grants | 94 | |
| Other costs | 71 | |
| Addition to/(released from) fund | - | |

| | 2020 | 2019 |
|---|------------|--------------|
| | € ,000 | € ,000 |
| Capacity building USAID | | |
| Grants received | - | |
| Non-allocated grants | (113) | |
| Other costs | 113 | |
| Addition to/(released from) fund | - | |
| Rwanda tea seedling project | | |
| Grants received | (30) | |
| Non-allocated grants | (25) | |
| Other costs | 55 | |
| Addition to/(released from) fund | - | |
| SSNUP project | | |
| Grants received | (306) | |
| Non-allocated grants | 306 | |
| Other costs | - | |
| Addition to/(released from) fund | - | |
| Subtotal capacity building and guarantee funds | 707 | (323) |
| Subtotal local currency risk funds | - | 3,330 |
| Transfer local currency risk funds | - | 4,184 |
| Total addition to/(released from) funds | 707 | 7,191 |

33 Use of financial instruments

| Balance sheet item | Product | 2020 | 2020 | 2019 |
|---|------------------------|----------|-----------------|-----------------|
| | | Notional | Carrying amount | Carrying amount |
| | | € ,000 | € ,000 | € ,000 |
| <i>Oikocredit has entered into the following derivatives to cover its exposure:</i> | | | | |
| Non-current assets | | | | |
| FX derivatives | Under hedge accounting | 2,846 | 240 | - |
| Cross currency swaps | Under hedge accounting | 37,252 | 4,694 | 4,885 |
| | Total | | 4,934 | 4,885 |
| Current assets | | | | |
| FX derivatives | Under hedge accounting | 342,936 | 10,627 | 1,871 |
| Cross currency swaps | Under hedge accounting | 28,513 | 7,051 | 4,664 |
| | Total | | 17,678 | 6,535 |
| Non-current liabilities | | | | |
| FX derivatives | Under hedge accounting | - | - | - |
| Cross currency swaps | Under hedge accounting | 15,062 | (114) | (1,625) |
| | Total | | (114) | (1,625) |
| Current liabilities | | | | |
| FX derivatives | Under hedge accounting | 58,894 | (3,823) | (6,827) |
| Cross currency swaps | Under hedge accounting | 14,941 | (117) | (1,844) |
| | Total | | (3,940) | (8,671) |

The total book value of the hedge contracts as at 31 December 2020 was € 19,000 positive (2019: € 1.1 million positive) and the market value was € 17.6 million positive (2019: € 6.5 million positive). The hedge-effectiveness test has proven that all hedge contracts were effective during 2020 (in 2019 we had a provision of € 20,000). The hedge provision is under the current liabilities (refer to Note 27).

34 Related party transactions

For transactions with the Managing Board and Supervisory Board, please refer to Note 35 of the consolidated financial statements.

Transactions with Oikocredit International Support Foundation during the year

The Society has charged a management fee and an administration fee to the Support Foundation amounting to € 57,000 (2019: € 57,000).

The Support Foundation transferred the term investment portfolio to the Society for an amount of € 25.1 million.

In 2021 the Articles of Association of the Support Foundation and the service level agreement between the Support Foundation and the Society will be updated. A material change in these documents is that the Society will not charge Category B costs (refer to Note 1 on general information under the notes to the consolidated financial statements) to the Support Foundation and the Support Foundation will act more independently from the Society. This will also mean that we will charge actual spend costs for capacity building from the Society to the Support Foundation.

Transactions with Oikocredit International Share Foundation

The Society and Oikocredit International Share Foundation entered into a new service level agreement on 1 January 2021. Pursuant to this agreement the Society will perform all back-office activities and bear the related costs as its own costs. This means the Society will no longer grant a contribution for costs to the Oikocredit International Share Foundation. In 2020 the total costs accounted in the Society related to the Share Foundation amounted to € 189,000 (2019: € 109,000).

Transactions with Maanaveeya Development & Finance Private Limited

The Society charged interest to Maanaveeya on external commercial borrowing totalling € 5.9 million (2019: € 6.5 million).

Transactions with support associations and members

The Society granted a contribution for costs to the support associations during 2020 for € 3.6 million (2019: € 3.6 million). Due to the share issuance and redemption process the requests received in December 2020 for redemptions and for the issuance of new shares were paid by the Society in January 2021.

The Support Foundation received donations from members dedicated to the coronavirus solidarity fund as follows: Stichting Juridisch Eigendom Oikocredit Nederlands Fonds (€ 17,670), Oikocredit Deutsche Schweiz (€ 16,186), Oikocredit Stiftung Deutschland (€ 24,212).

The Society did not receive any loans from support associations or members during the year 2020 (in 2019 from GLS Bank, Germany: € 13.0 million).

| Amounts owed by and to Oikocredit ¹ | 31/12/2020 | 31/12/2019 |
|--|------------|------------|
| | € ,000 | € ,000 |
| Oikocredit International Support Foundation | (4,675) | 16,411 |
| Maanaveeya Development & Finance Private Limited | 61,275 | 68,677 |

¹ Market interest rates are charged on these amounts.

35 Remuneration policies

Supervisory Board remuneration policy

The Society offers Supervisory Board members compensation for their travel, administrative expenses and loss of income due to the extensive time commitment involved in serving on the board. In 2019 the AGM approved the Supervisory Board's proposal to amend the remuneration policy for Supervisory Board members. Amendments include an increase in basic fees, additional fees for the Chair and Vice-Chair, variable attendance fees for meetings, and compensation for working hours lost on international travel.

The Supervisory Board remuneration structure is composed of four elements:

- a) Basic annual fee: basic fixed fee for all board members to cover the work as a board member on the basis of fifteen board meeting days per year and additional virtual meetings, including preparation and follow-up.
- b) Additional annual fees:
 - Additional Supervisory Board (Vice-)Chair fee: fixed fee for chairing or vice-chairing the Supervisory Board.
 - Additional committee chair fee: fixed fee for chairing a Supervisory Board committee.
- c) Variable fees:
 - Supervisory Board meeting attendance fee: fixed fee to be paid out for every Supervisory Board meeting day or Supervisory Board committee meeting day that exceeds the 15 basic meeting days per year. A Supervisory Board meeting and Supervisory Board committee meeting on the same day counts as one meeting. Other meetings and activities should be covered by the annual fee.
 - Intercontinental travel compensation fee: variable fee to compensate for loss of time due to intercontinental travelling to Supervisory Board (committee) meetings.
- d) Expense reimbursement: compensation for actual expenses incurred in relation to the Society's activities, provided that these expenses are documented (e.g. travel and communication).

The total compensation/remuneration in 2020 amounted to € 144,700 (2019: € 103,500).

Remuneration Managing Board

| <i>The remuneration can be specified as follows:</i> | 2020 | 2019 |
|--|---------------|---------------|
| | € ,000 | € ,000 |
| Gross salary, holiday and year-end allowance | 966 | 1,000 |
| Expense allowances | - | - |
| Pension contributions | 181 | 164 |
| Total | 1,147 | 1,164 |

Staff of Oikocredit globally

The Society believes in remunerating its employees in a fair and equitable manner. This means that the remuneration of its staff worldwide should be aligned with the values and nature of the Society, acknowledging people's diverse experience and educational backgrounds, and elements of both the financial sector as well as the social sector at an international or national level, depending on the job requirements.

Performance reward

In 2019 and 2020 no performance rewards were allocated to staff. On 1 January 2020 a new remuneration policy was implemented. Under this new policy, variable pay, such as a performance reward, is no longer part of the remuneration package.

Supervisory Board and Managing Board holdings in Oikocredit share capital

Some Supervisory Board and Managing Board members have indirect holdings in the Society's shares. These holdings do not have any voting rights.

Society financial statements

Opportunity International Savings and Loans Ltd

Evelyn Larty is a client of Oikocredit partner Opportunity International Savings and Loans Ltd (Opportunity Ghana). Through Opportunity Ghana's loans and trainings, Evelyn's restaurant has been able to flourish. Opportunity Ghana provides micro and small entrepreneurs with loans, savings, insurance, financial education and other financial services that enable low-income people to increase their income and help transform their lives.

Society **balance sheet**

(Before appropriation of net income)

| Balance sheet | | | |
|---------------------------|---|-------------------|------------------|
| <i>Notes</i> | 31/12/2020 | 31/12/2019 | |
| | € ,000 | € ,000 | |
| NON-CURRENT ASSETS | | | |
| 6 | Intangible fixed assets | 783 | 316 |
| 37 | Tangible fixed assets | 748 | 877 |
| Financial assets | | | |
| 38 | Development financing | | |
| | Total development financing outstanding | 744,805 | 933,558 |
| | Less: - loss provision and impairments | (101,156) | (91,267) |
| | | 643,649 | 842,291 |
| | <i>Consists of:</i> | | |
| | <i>Loans (net of loss provision)</i> | <i>526,476</i> | <i>724,602</i> |
| | <i>Equity (net of impairments)</i> | <i>117,173</i> | <i>117,689</i> |
| 39 | Investments in group companies | 48,266 | 50,964 |
| 40 | Other securities | 36,709 | 36,811 |
| 41 | Other financial assets | 62,263 | 73,682 |
| | Total financial assets | 147,238 | 161,457 |
| | Total non-current assets | 792,418 | 1,004,941 |
| CURRENT ASSETS | | | |
| 42 | Term investments | 182,811 | 114,453 |
| 43 | Receivables and other current assets | 39,093 | 63,164 |
| 44 | Cash and banks | 213,383 | 103,817 |
| | Total current assets | 435,287 | 281,434 |
| | TOTAL | 1,227,705 | 1,286,375 |

The accompanying notes are an integral part of these financial statements.

Society **balance sheet**

(Before appropriation of net income)

| Balance sheet | | |
|--|-------------------|-------------------|
| <i>Notes</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| MEMBER CAPITAL AND RESERVES | | |
| 45 Member capital | 1,104,070 | 1,129,832 |
| 46 General reserve | 95,834 | 80,545 |
| 46 Restricted exchange fluctuation reserve | (16,333) | (11,875) |
| Undistributed net income for the year | (22,182) | 14,274 |
| | 1,161,389 | 1,212,776 |
| 19 PROVISIONS | 328 | 1,052 |
| 48 NON-CURRENT LIABILITIES | 2,092 | 48,666 |
| 49 CURRENT LIABILITIES | 63,896 | 23,881 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| TOTAL | 1,227,705 | 1,286,375 |

The accompanying notes are an integral part of these financial statements.

Society **income statement**

| Income statement | | | |
|-------------------------------|--|-----------------|---------------|
| <i>Notes</i> | 2020 | 2019 | |
| | € ,000 | € ,000 | |
| RESULTS | | | |
| 39 | Results participation in group companies after taxes | 7,813 | 15,808 |
| | Other results | (29,882) | (1,398) |
| INCOME BEFORE TAXATION | | (22,069) | 14,410 |
| | Taxes | (113) | (136) |
| INCOME AFTER TAXATION | | (22,182) | 14,274 |

The accompanying notes are an integral part of these financial statements.

Notes to the **Society** financial statements

36 General

The Society financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The accounting policies of the Society financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with the accounting policies for the consolidated financial statements.

For the accounting policies of the Society financial statements, refer to the summary of accounting policies as included in the notes to the consolidated financial statements.

37 Tangible fixed assets

| <i>Changes in tangible fixed assets in 2020 and in the costs of acquisition and accumulated depreciation as at 31 December 2020 can be specified as follows:</i> | | | | |
|--|--------------|--------------|--------------|--------------|
| | IT equipment | Furniture | Total 2020 | Total 2019 |
| | € ,000 | € ,000 | € ,000 | € ,000 |
| Historical cost price as at 1 January | 2,119 | 2,049 | 4,168 | 4,184 |
| Accumulated depreciation as at 1 January | (1,952) | (1,339) | (3,291) | (3,059) |
| Balance as at 1 January | 167 | 710 | 877 | 1,125 |
| Investments | 60 | 18 | 78 | 1,112 |
| Disposals | - | - | - | (1,128) |
| Depreciation | (90) | (118) | (208) | (232) |
| Movements in the year | (30) | (100) | (130) | (248) |
| Historical cost price as at 31 December | 2,179 | 2,067 | 4,246 | 4,168 |
| Accumulated depreciation as at 31 December | (2,042) | (1,457) | (3,499) | (3,291) |
| Balance as at 31 December | 137 | 611 | 748 | 877 |

The useful life of the furniture is estimated at five years on average. Information technology (IT) equipment is depreciated in three years.

38 Development financing

| Changes in development financing outstanding | | |
|---|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Outstanding as at 1 January | 933,558 | 950,628 |
| Disbursements | 203,551 | 310,560 |
| Capitalised interest and dividends | 148 | 272 |
| Less: - repayments | (306,216) | (300,446) |
| - write-offs | (12,900) | (5,406) |
| Correction fund accounting | - | (3,533) |
| Reclassifications | - | (20,707) |
| Equity divestments | (7,539) | (7,204) |
| Exchange rate adjustments | (65,797) | 9,394 |
| Outstanding as at 31 December | 744,805 | 933,558 |

| | | |
|---|-------------------|-------------------|
| <i>Total loan loss provision and impairments equity</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Loan loss provision | (69,114) | (60,295) |
| Impairments equity | (32,042) | (30,972) |
| Balance as at 31 December | (101,156) | (91,267) |

| Provision for possible losses | | |
|--------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | (60,295) | (56,497) |
| Additions | (26,116) | (8,521) |
| Exchange rate adjustments | 4,593 | (683) |
| | (81,818) | (65,701) |
| Less: - write-offs | 12,704 | 5,406 |
| Balance as at 31 December | (69,114) | 60,295 |

| Impairments equity investments | | |
|---------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | (30,972) | (17,122) |
| Additions | (4,181) | (14,736) |
| Reversals | 3,111 | 886 |
| | (32,042) | (30,972) |
| Less: - write-offs | - | - |
| Balance as at 31 December | (32,042) | (30,972) |

Refer to Note 8 of the consolidated financial statements for further detailed information on consolidated development financing.

39 Group companies

| Net asset value investments in group companies | | |
|---|---------------|---------------|
| | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Maanaveeya Development & Finance Private Limited, Hyderabad, India ¹ | 48,042 | 50,608 |
| Financial Company Oikocredit Ukraine, Lviv, Ukraine ² | 224 | 356 |
| Balance as at 31 December | 48,266 | 50,964 |

¹ The investment in Maanaveeya Development & Finance Private Limited, Hyderabad, India, consists of 100% of the ordinary shares amounting to INR 2.5 billion (228,652,711 shares). One share is held by the Managing Director of Maanaveeya.

² The investment in Financial Company Oikocredit Ukraine in Lviv, Ukraine, consists of 100% of the ordinary shares, amounting to UAH 20 million. This entity is in liquidation.

| Maanaveeya Development & Finance Private Limited | | |
|--|---------------|---------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 50,608 | 43,161 |
| Result for the year | 7,830 | 15,635 |
| Interest paid to Oikocredit on compulsory convertible debentures | (5,913) | (6,459) |
| Prior year adjustment | (271) | 387 |
| Exchange rate adjustments | (4,212) | (2,116) |
| Balance as at 31 December | 48,042 | 50,608 |

| Financial Company Oikocredit Ukraine | | |
|--------------------------------------|------------|------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 356 | 790 |
| Dividend payments | - | - |
| Prior year adjustment | - | 33 |
| Capital payments ¹ | - | (753) |
| Net result for the year | (17) | 113 |
| Exchange rate adjustments | (115) | 173 |
| Balance as at 31 December | 224 | 356 |

¹ In relation to closing the entity in Ukraine it was decided to make a capital payment to the Society.

| Low Income Countries (LIC) Loan Fund | | |
|--------------------------------------|------------|------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | - | 1,664 |
| Investments | - | - |
| Capital payments ¹ | - | (1,724) |
| Result for the year | - | 60 |
| Balance as at 31 December | - | - |

¹ In relation to the decreasing investments under management of the LIC Loan Fund it was decided to dissolve the fund in 2019 and repay capital to both shareholders, FMO and the Society.

40 Other securities

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|---------------|---------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | 36,811 | 1,228 |
| Investments during the year at cost | 252 | 14,699 |
| Impairment | (354) | |
| Disinvestments/redemptions during the year | - | - |
| Reclassification from development financing portfolio | - | 20,884 |
| Balance as at 31 December | 36,709 | 36,811 |

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|---------------|---------------|
| | € ,000 | € ,000 |
| GLS Alternative Microfinance Fund | 9,539 | 9,539 |
| ASN-Novib Microcredit Fund | 11,242 | 11,345 |
| TCX, The Currency Exchange Fund N.V., the Netherlands | 15,218 | 15,218 |
| GLS Gemeinschaftsbank, Germany | 500 | 500 |
| Banca Popolare Etica, Italy | 100 | 100 |
| Ekobanken, Sweden | 10 | 10 |
| Other | 100 | 99 |
| Total other securities | 36,709 | 36,811 |

41 Other financial assets

| <i>Summary of other financial assets:</i> | 31/12/2020 | 31/12/2019 |
|---|---------------|---------------|
| | € ,000 | € ,000 |
| Loans to group companies | 57,264 | 68,677 |
| Staff loans ¹ | 65 | 120 |
| Hedge contracts financial institutions | 4,934 | 4,885 |
| Balance as at 31 December | 62,263 | 73,682 |

¹ All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

Loans to group companies consists of the following:

- External commercial borrowing (ECB) loan 1 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 1.5 billion (€ 18.7 million). The loan carries an interest of 9.30%. The first repayment of the loan is due in December 2023, the second repayment in December 2024 and the last repayment in December 2025.
- ECB loan 2 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 1.5 billion (€ 18.7 million). The loan carries an interest of 9.60%. The first repayment of the loan is due in October 2022, the second repayment in October 2023 and the last repayment in October 2024.
- ECB loan 3 with Maanaveeya Development & Finance Private Limited with a total principal amount of INR 2.5 billion (€ 31.2 million). The loan carries an interest of 9.70%. The first repayment of the loan is due in December 2021, which has been presented under receivables (Note 42) since it is short term, and the last repayment is due in December 2024. Between 2021 and 2024 half-yearly repayments are scheduled.

42 Term investments

| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|----------------|----------------|
| | € ,000 | € ,000 |
| Balance as at 1 January | 114,453 | 115,848 |
| Investments during the year at cost | 67,460 | 6,058 |
| Disinvestments/redemptions during the year | - | (10,000) |
| Revaluation to market value as at 31 December | 898 | 2,547 |
| Exchange rate adjustments | - | - |
| Balance as at 31 December | 182,811 | 114,453 |

| <i>Summary of term investments:</i> | 31/12/2020 | 31/12/2019 |
|---|----------------|----------------|
| | € ,000 | € ,000 |
| Buy and Maintain ESG Credit Portfolio ¹ | 172,808 | 104,412 |
| Portfolio managed by Alternative Bank Schweiz (ABS), Switzerland ² | 10,003 | 10,041 |
| Balance as at 31 December | 182,811 | 114,453 |

¹ 'Buy and Maintain Environmental Social Governance (ESG) Credit Portfolio' is the name of the bond portfolio managed by AXA.

² In August 2017 a number of company bonds held by ABS were purchased.

Fair value of term investments

The fair value equals the carrying amount. Part of the term investments serve as collateral for the credit facilities with banks (reference is made to Notes 44). The term investments in bonds have been rated 'investment grade' by Moody's, S&P and/or Fitch in line with the policy.

43 Receivables and other current assets

| <i>The receivables maturing within one year can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|--|---------------|---------------|
| | € ,000 | € ,000 |
| Hedging contracts (refer to Note 33) | 17,678 | 6,535 |
| Accrued interest on development financing net of allowance | 9,751 | 13,201 |
| Loans to group companies expiring within one year | 4,011 | 20,438 |
| Interest receivable: | 2,535 | 2,927 |
| - Face value | 5,709 | 7,037 |
| - Less: allowance for uncollectability | (3,174) | (4,110) |
| Hedging receivable | 1,841 | 6,812 |
| Receivables Share Foundation | 1,271 | 3,765 |
| Value added tax and wage taxes | 541 | 474 |
| Amounts prepaid | 176 | 39 |
| Staff loans ¹ | 24 | 56 |
| Collateral related to hedging contracts | 4 | 7,870 |
| Sundry receivables | 1,261 | 1,047 |
| Balance as at 31 December | 39,093 | 63,164 |

¹ All housing loans to staff are covered by mortgages. Market interest rates are charged on staff loans.

44 Cash and banks

The Society maintains its funds in banking institutions in Africa, Asia, Europe, Latin America and the United States. The time deposits included in cash and banks as at 31 December 2020 all mature in 2021.

The Society has a credit facility agreement with a Dutch bank and an Italian bank. The facility with the Dutch bank amounts to € 5.0 million. This facility, of which € 0.5 million was used in 2020, is subject to the following conditions:

- Audited financial statements should be provided within six months of year-end.
- The solvency ratio of the Society should be at least 70% (2020: 93.9%).
- The Society should keep its bond portfolio and liquidities free of any encumbrances for 125% of the amount of the credit facility agreement with the Dutch bank (€ 6.3 million).
- Without the written permission of the credit institution, the Society is not allowed to sell or securitise fixed assets or establish mortgages or other encumbrances on fixed assets (except for transactions taking place in the normal course of business) or to issue guarantees for liabilities of third parties.

The facility with the Italian bank amounts to € 5.0 million of which € 0 has been used as per 31 December 2020. There are no specific conditions attached to this facility.

45 Member capital

For details about the member capital, please refer to Note 14 of the consolidated financial statements.

46 General and other reserves

| General reserves¹ | | |
|-------------------------------------|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | 80,545 | 90,813 |
| Appropriation of prior-year results | 15,289 | (10,268) |
| Balance as at 31 December | 95,834 | 80,545 |

¹ The Society's Supervisory Board allocated the full result of 2019 to the general reserve.

| Restricted exchange fluctuation reserve¹ | | |
|--|-------------------|-------------------|
| <i>Can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
| | € ,000 | € ,000 |
| Balance as at 1 January | (11,875) | (9,148) |
| Prior year adjustment | - | (780) |
| Exchange rate differences | (4,458) | (1,947) |
| Balance as at 31 December | (16,333) | (11,875) |

¹ The restricted exchange fluctuation reserve represents the accumulation of gains and losses from currency translation on investments in group companies. This reserve also contains the results (gains, losses and premiums) on the hedge contracts concluded on investment in group companies.

47 Differences in equity and net income between the Society and consolidated financial statements

| <i>Changes in the difference between the Society and consolidated equity and profit/loss in the financial year can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|---|------------------|------------------|
| | € ,000 | € ,000 |
| Reserves Oikocredit International Support Foundation | 1,161,389 | 1,212,778 |
| Local currency risk funds Support Foundation | 3 | 3 |
| Funds for subsidised activities and model costs Support Foundation | 4,044 | 4,741 |
| Third-party interests | - | - |
| Group equity and funds according to consolidated financial statements | 1,165,436 | 1,217,520 |

48 Non-current liabilities

| <i>Can be specified as follows:</i> | 2020 | Remaining term > 1 year < 5 years | Remaining term > 5 years | 2019 |
|---|--------------|--------------------------------------|-----------------------------|---------------|
| | € ,000 | € ,000 | € ,000 | € ,000 |
| Bank loans | 1,978 | 1,978 | - | 47,041 |
| Hedge contracts (refer to Note 33, consolidated financial statements) | 114 | 114 | - | 1,625 |
| Total non-current liabilities | 2,092 | 2,092 | - | 48,666 |
| Repayment obligations due within 12 months of the end of the financial year are included under the current liabilities. | | | | |

Bank loans consist of the following:

- A loan granted by a Swedish bank amounting to € 2.0 million (2019: € 1.9 million). The loan is for an indefinite period. The loan carries an interest rate equal to the base rate of the financial institution (as at 31 December 2020: 0.00%) plus an agreed margin (as at 31 December 2020: 0.57%). The loan is secured by a pledge on the Society's bond portfolio for a maximum of € 6.3 million.
- A loan granted by a German bank amounting to € 36.0 million (2019: € 36.0 million) is included under the current liabilities as at 31 December 2020, since the loan will be repaid in January 2021.
- A loan granted by a Swiss bank for an amount of € 9.2 million (2019: 9.2 million) is included under the current liabilities as at 31 December 2020, since the loan will be repaid in the year 2021.

Fair value of long-term liabilities

The majority of the bank loans are at variable interest rates. Therefore, the fair value of the current liabilities approximates the book value. Loans for investment in development financing have been invested in the Society's development financing portfolio for risk and account of the funders.

49 Current liabilities

| <i>All current liabilities mature within one year and can be specified as follows:</i> | 31/12/2020 | 31/12/2019 |
|--|-------------------|-------------------|
| | € ,000 | € ,000 |
| Long-term loans expired or expiring within one year ¹ | 45,236 | 5,856 |
| Group companies (refer to Note 34) | 4,675 | - |
| Accrued expenses, sundry liabilities | 4,319 | 2,750 |
| Other taxes payable ² | 4,494 | 4,670 |
| Hedge contracts | 3,940 | 8,671 |
| Hedging premiums payable | 1,232 | 1,932 |
| Provision hedges | - | 2 |
| Balance as at 31 December | 63,896 | 23,881 |

¹ Consists of amounts maturing within one year from loans taken from a German bank amounting to € 36.0 million, a loan taken from a Swiss bank amounting to € 9.2 million and loans taken from financial institutions in India for € 0.8 million.

² The growth of the Society has led Oikocredit to thoroughly review its tax and legal structures in the countries where it has offices, to ensure there is a structure in place to pay Oikocredit's fair share of taxes. € 35,000 has been added to the accrual. The total accrual is as at 31 December 2020 € 4.0million (2019: € 4.0 million).

Fair value of current liabilities

Applicable interest rates of the current liabilities are in accordance with applicable market interest rates. Therefore, the fair value of the current liabilities approximates the book value.

50 Commitments not included in the balance sheet

With effect from 1 July 2019 the Society renewed its rental agreement for the office building in Amersfoort, which will end on 31 December 2024. The yearly rent payments amount to € 232,130 up until 31 December 2024. The yearly rent is indexed. For this agreement, a bank guarantee was issued for € 120,860.

The hedging agreements with Rabobank, Standard Chartered Bank and The Currency Exchange Fund N.V. (TCX) contain an obligation to post eligible collateral under a credit support annex. This means the change in market value of the derivative portfolio can be debited/credited daily from the current account.

In the contract with Standard Chartered Bank, the threshold for the Society is set at US\$ 3 million and for Standard Chartered Bank at US\$ 50 million. In the contract with TCX, the threshold is set at US\$ 3 million for both the Society and TCX. In the contract with Rabobank, the threshold is set at € 0 for both the Society and Rabobank. As at 31 December 2020 the mark to market value of the hedge contracts with Standard Chartered Bank was US\$ 52,000 million positive. As at 31 December 2019 the mark to market value of the hedge contracts with TCX was US\$ 11.8 million positive. The mark to market value of the derivative portfolio with Rabobank was € 7.9 million positive. For posted cash collateral, please refer to Note 43.

The Society issued a guarantee for an amount of € 0.6 million to an Ethiopian bank, covering loans issued by the bank to a partner in Ethiopia.

The Society issued three corporate guarantees for a maximum of INR 1.2 billion to Rabobank International, Mumbai Branch, for loans issued by Rabobank to Maanaveeya Development & Finance Private Limited in India.

The Society pledged in total € 18.0 million of its bond portfolio to guarantee loans from financial institutions.

51 Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are prepared and recognised in the financial statements.

Other information

Proposal for allocation of net income

With respect to the allocation of net income, the Society's Articles of Association determine the following (Article 45): 'The net profits shall be allocated by the General Meeting after receiving the proposal of the Managing Board.'

The Managing Board will make the following proposal to the Annual General Meeting in 2021 with regard to 2020 net income.

| Allocation of net income 2020 | |
|--|-----------------|
| <i>The Managing Board proposes to appropriate the net income as follows:</i> | 2020 |
| | € ,000 |
| Dividend distribution | - |
| <i>Net income 2020</i> | <i>(22,182)</i> |
| Proposal to be deducted from general reserve | (22,182) |

In the Annual Report 2019 a table was included about the allocation of net income for 2019 in which a dividend distribution of € 11.0 million was proposed. In May 2020 the Managing Board, supported by the Supervisory Board, revised its dividend proposal for 2019 from 1% to 0%. In the Annual General Meeting it was decided to not distribute a dividend but to add the full result to the general reserve.

The table presented in the Annual Report 2019 concerning designated amounts in the general reserve has not been included here since the proposal from the Managing Board is to release the designated amount for local currency loans reserve and to include it in the general reserve. The reason for this is that from an accounting perspective the exchange rate differences which we faced during the year cannot directly be accounted through this designated reserve.



Independent auditor's report

To: the General Meeting of Members and the Supervisory Board of Oikocredit, Ecumenical Development Cooperative Society U.A.

Report on the audit of the accompanying consolidated financial statements

Our opinion

We have audited the consolidated financial statements 2020 of Oikocredit, Ecumenical Development Cooperative Society U.A., based in Amersfoort.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Oikocredit, Ecumenical Development Cooperative Society U.A. as at 31 December 2020 and of its result for the year 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated and separate balance sheet as at 31 December 2020;
- 2 the consolidated and separate income statement for the year 2020;
- 3 the consolidated cash flow statement for the year 2020; and
- 4 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of Oikocredit, Ecumenical Development Cooperative Society U.A. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the consolidated financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- letter from the Managing Director;
- five-year Oikocredit key figures;
- Managing Board report: Resilience, solidarity, loyalty;

KPMG Accountants N.V., a Dutch limited liability company registered with the trade register in the Netherlands under number 33263683, is a member firm of the global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

1934478/21W00174974AVN



- Supervisory Board report: Steering through the storm;
- strategic partners and relevant networks;
- contact information; and
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the consolidated financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the consolidated financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the consolidated financial statements.

The Managing Board is responsible for the preparation of the other information, including the Managing Board report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the consolidated financial statements

Responsibilities of the Managing Board and the Supervisory Board for the consolidated financial statements

The Managing Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the consolidated financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Managing Board should prepare the consolidated financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Cooperation or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.



Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cooperation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities. On this basis, we selected Maanaveeya Development & Finance Private Limited and Stichting Oikocredit International Support Foundation for which an audit had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 9 March 2021

KPMG Accountants N.V.

M.L.M. Kesselaer RA

Contact information

International office

T +31 33 422 40 40
F +31 33 465 03 36
E info@oikocredit.org

Berkenweg 7
3818 LA Amersfoort
The Netherlands

PO Box 2136
3800 CC Amersfoort
The Netherlands

Regional offices

Latin America and the Caribbean
americalatina@oikocredit.org

Africa
africa@oikocredit.org

Southeast Asia
sea@oikocredit.org

India
maanaveeya@oikocredit.org

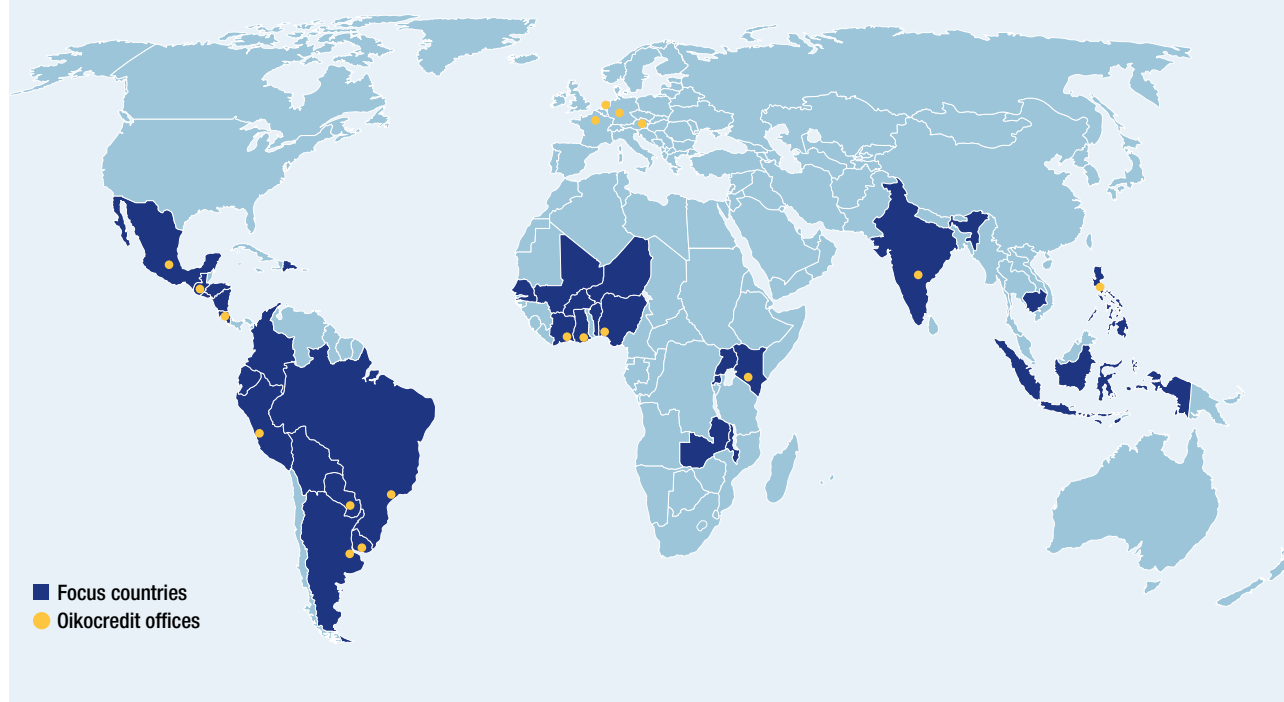
National support offices

Austria
Oikocredit Austria (Vienna)
office@oikocredit.at

France
Oikocredit France (Paris)
france@oikocredit.org

Germany
Oikocredit Deutschland
(Frankfurt am Main)
info@oikocredit.de

Oikocredit's presence and focus countries



Support associations

Austria

- Oikocredit Austria (Vienna)
austria@oikocredit.at

Belgium

- Oikocredit-be (Brussel/Bruxelles)
be@oikocredit.org

Canada

- Oikocredit Canada (Toronto)
canada@oikocredit.org

France

- Oikocredit Centre Alpes Rhône (Grenoble)
car@oikocredit.org
- Oikocredit France Est (Strasbourg)
franceest@oikocredit.org
- Oikocredit Franche-Comté Bourgogne & Méditerranée (Valentigney)
franche-comte@oikocredit.org
- Oikocredit Ile de France & Ouest (Paris)
iledefranceouest@oikocredit.org

Germany

- Oikocredit Baden-Württemberg (Stuttgart)
baden-wuerttemberg@oikocredit.de
- Oikocredit Bayern (Nürnberg)
bayern@oikocredit.de
- Oikocredit Hessen-Pfalz (Frankfurt am Main)
hessen-pfalz@oikocredit.de
- Oikocredit Niedersachsen-Bremen (Braunschweig)
niedersachsen-bremen@oikocredit.de
- Oikocredit Norddeutschland (Hamburg)
norddeutschland@oikocredit.de
- Oikocredit Nordost (Berlin)
nordost@oikocredit.de
- Oikocredit Westdeutscher Förderkreis (Bonn)
westdeutsch@oikocredit.de

Italy

- Oikocredit Südtirol (Brixen)
suedtirol@oikocredit.org

The Netherlands

- Oikocredit Nederland (Utrecht)
nederland@oikocredit.nl

Spain

- Oikocredit Catalunya (Barcelona)
catalunya@oikocredit.org
- Oikocredit Euskadi (Bilbao)
euskadi@oikocredit.org
- Oikocredit Sevilla (Sevilla)
sevilla@oikocredit.org

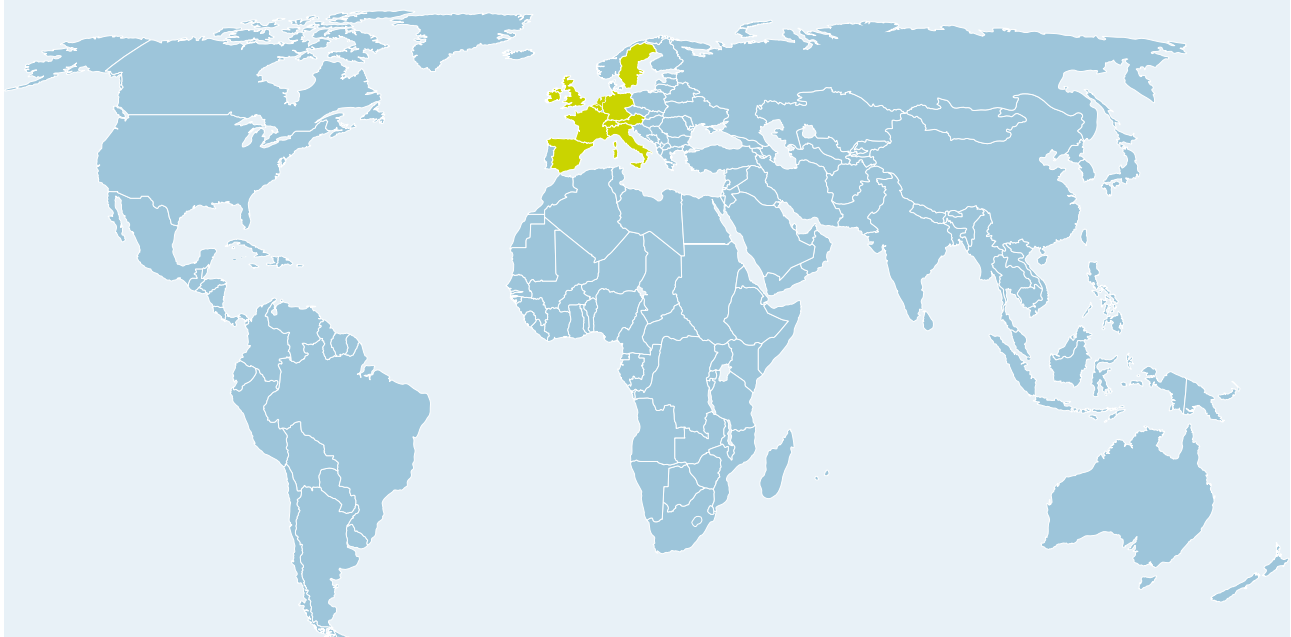
Switzerland

- Oikocredit deutsche Schweiz (Winterthur)
deutsche.schweiz@oikocredit.ch
- Oikocredit Suisse Romande (Bussigny-près-Lausanne)
suisse.romande@oikocredit.org

USA

- Oikocredit US (Seattle)
info@oikocredit.us

Countries in which Oikocredit actively attracts investments



■ In these countries individuals and organisations can invest in Oikocredit via its network of support associations and the Oikocredit International Share Foundation (OISF).

Strategic partners and relevant networks

| | | |
|--|---|--|
|  <p>act Church of Sweden</p> <p>www.svenskakyrkan.se</p> |  <p>AFRICAN GUARANTEE FUND FOR SMALL AND MEDIUM ENTERPRISES</p> <p>www.africanguaranteefund.com</p> |  <p>AVCA African Private Equity and Venture Capital Association</p> <p>www.avca-africa.org</p> |
|  <p>avpn</p> <p>www.avpn.asia</p> |  <p>Cerise FOUR LINE FINANCE ETHIQUE</p> <p>www.cerise-spm.org/en</p> |  <p>CNFA Cultivating New Frontiers in Agriculture</p> <p>www.cnfa.org</p> |
|  <p>CRS faith.action.results. CATHOLIC RELIEF SERVICES</p> <p>www.crs.org</p> |  <p>CSAF COUNCIL ON SMALLHOLDER AGRICULTURAL FINANCE</p> <p>www.csaf.net</p> |  <p>EUROPEAN MICROFINANCE PLATFORM NETWORKING WITH THE SOUTH</p> <p>www.e-mfp.eu</p> |
|  <p>ANGELISCHE LANDESKIRCHE IN WÜRTTEMBERG</p> <p>www.elk-wue.de/sprachen/en</p> |  <p>FAIR CLIMATE FUND</p> <p>www.fairclimatefund.nl/en</p> |  <p>FAIRTRADE</p> <p>www.fairtrade-deutschland.de</p> |
|  <p>Fair Trade USA</p> <p>www.fairtradeusa.org</p> |  <p>FINANCIAL INCLUSION EQUITY COUNCIL</p> <p>www.centerforfinancialinclusion.org</p> |  <p>finansol</p> <p>www.finansol.org/en</p> |
|  <p>GIIN MEMBER</p> <p>www.thegiin.org</p> |  <p>Global Alliance for Banking on Values</p> <p>www.gabv.org</p> |  <p>GLS Bank das macht Sinn</p> <p>www.gls.de</p> |
|  <p>GOGLA</p> <p>www.gogla.org</p> |  <p>IDB</p> <p>www.iadb.org</p> |  <p>Keurig DrPepper</p> <p>www.keurigdrpepper.com</p> |
|  <p>npm platform for inclusive finance</p> <p>www.inclusivefinanceplatform.nl</p> |  <p>PRI Principles for Responsible Investment</p> <p>www.unpri.org</p> |  <p>Signatory Investor Responsible Finance Forum</p> <p>www.responsiblefinanceforum.org</p> |
|  <p>safe Sustainable Agriculture Food Environment</p> <p>www.safeplatform.org</p> |  <p>Sida SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY</p> <p>www.sida.se/english</p> |  <p>Social Performance TASK FORCE</p> <p>www.sptf.info</p> |
|  <p>Solidaridad</p> <p>www.solidaridad.nl</p> |  <p>ssnup</p> <p>www.ada-microfinance.org/en/ssnup</p> |  <p>USAID FROM THE AMERICAN PEOPLE</p> <p>www.usaid.gov</p> |

Text and production

Oikocredit staff
Miles Litvinoff

Photographs

Ana Maria Buitron (cover)
Opmeer Reports
Jet van Gaal

Design

Van Santen Productions



Oikocredit's vision is a global, just society in which resources are shared sustainably and all people are empowered with the choices they need to create a life of dignity.



This document was produced by Oikocredit, Ecumenical Development Co-operative Society U.A. (hereinafter to be called 'the Society') with the greatest of care and to the best of its knowledge and belief at the time of writing. The opinions expressed in this document are those of the Society at the time of writing and are subject to change at any time without notice. The Society provides no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information. This document is provided for information purposes only and is for the exclusive use of the recipient. It does not constitute an offer or a recommendation to buy or sell financial instruments or banking services and does not release the recipient from exercising their own judgment. The recipient is in particular recommended to check that the information provided is in line with their own circumstances with regard to any legal, regulatory, tax or other consequences, if necessary with the help of a professional advisor. This document may not be reproduced either in part or in full without the written consent of the Society. It is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law. Every investment involves risk, especially with regard to fluctuations in value and return. It should be noted that historical returns and financial market scenarios are no guarantee of future performance. Investments in foreign currencies involve the additional risk that the foreign currency might lose value against the investor's reference currency. The Society is a cooperative society ('coöperatieve vereniging') under the laws of the Netherlands.